LET’S TALK ABOUT DEBT

November 19th, 2026

Verband Schweizerischer Kantonalbanken

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Source: BCGE, created by AI with Microsoft Copilot

LET'S TALK ABOUT THE ELEPHANT IN THE ROOM

Artificial Intelligence is supporting the US economy

Data Center Investments, 2025-32

Year	Investment ($ billions)	Investment/GDP (%)
2025	1 153	3.7
2026	1 432	4.5
2027	1 399	4.2
2028	1098	3.2
2029	791	2.2
2030	940	2.5
2031	1408	3.6
2032	2 058	5.1
2025-32	10 279	3.6

Sources : Van Nieuwerburgh, Stijn. 2026. "Financing the AI Buildout." BPEA Conference Draft, Fall

- The impact of AI Capex is potentially massive on GDP growth, especially in the US
- It partially explains the resilience of the global economy despite the "custom tax" and "energy" shocks over past 18 months
- The US economy is the main beneficiary so far

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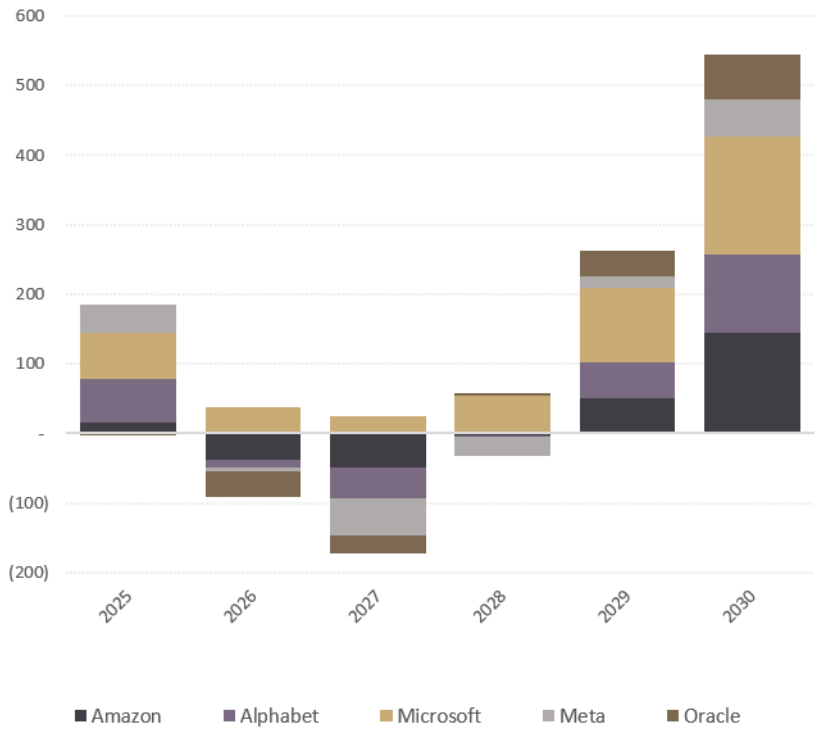
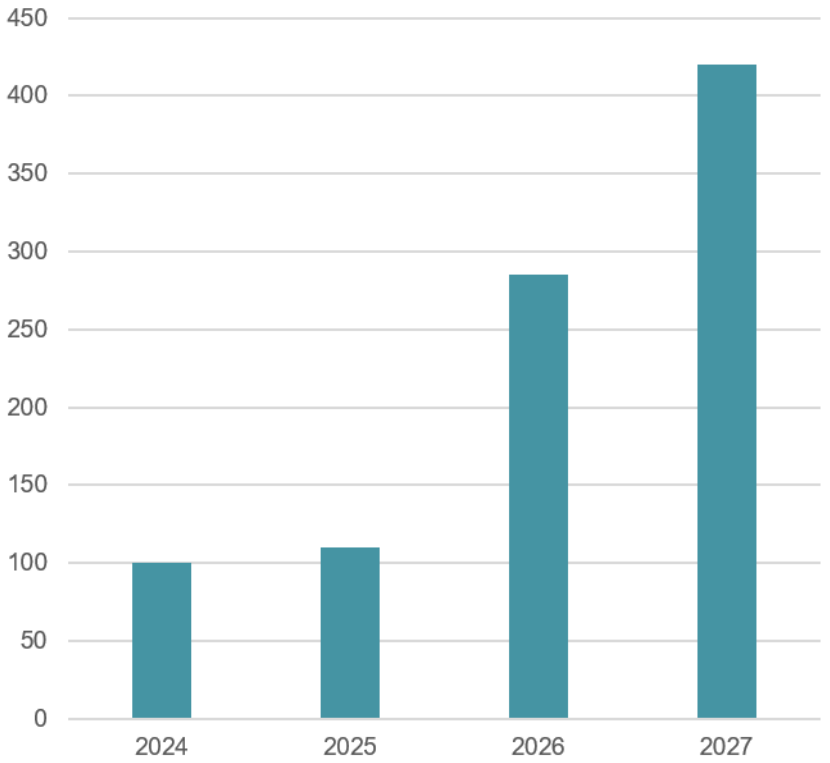
LET'S TALK ABOUT THE ELEPHANT IN THE ROOM

So the US is bearing the AI debt risk

Tech giants free cash-flow



Hyperscalers debt issuance (in USD Billiaon



Sources : Bloomgerg, BCGE estimates

- Tech cash machines are turning negative on free cash-flow
- And thus needs to turn to debt market to fund AI expansion

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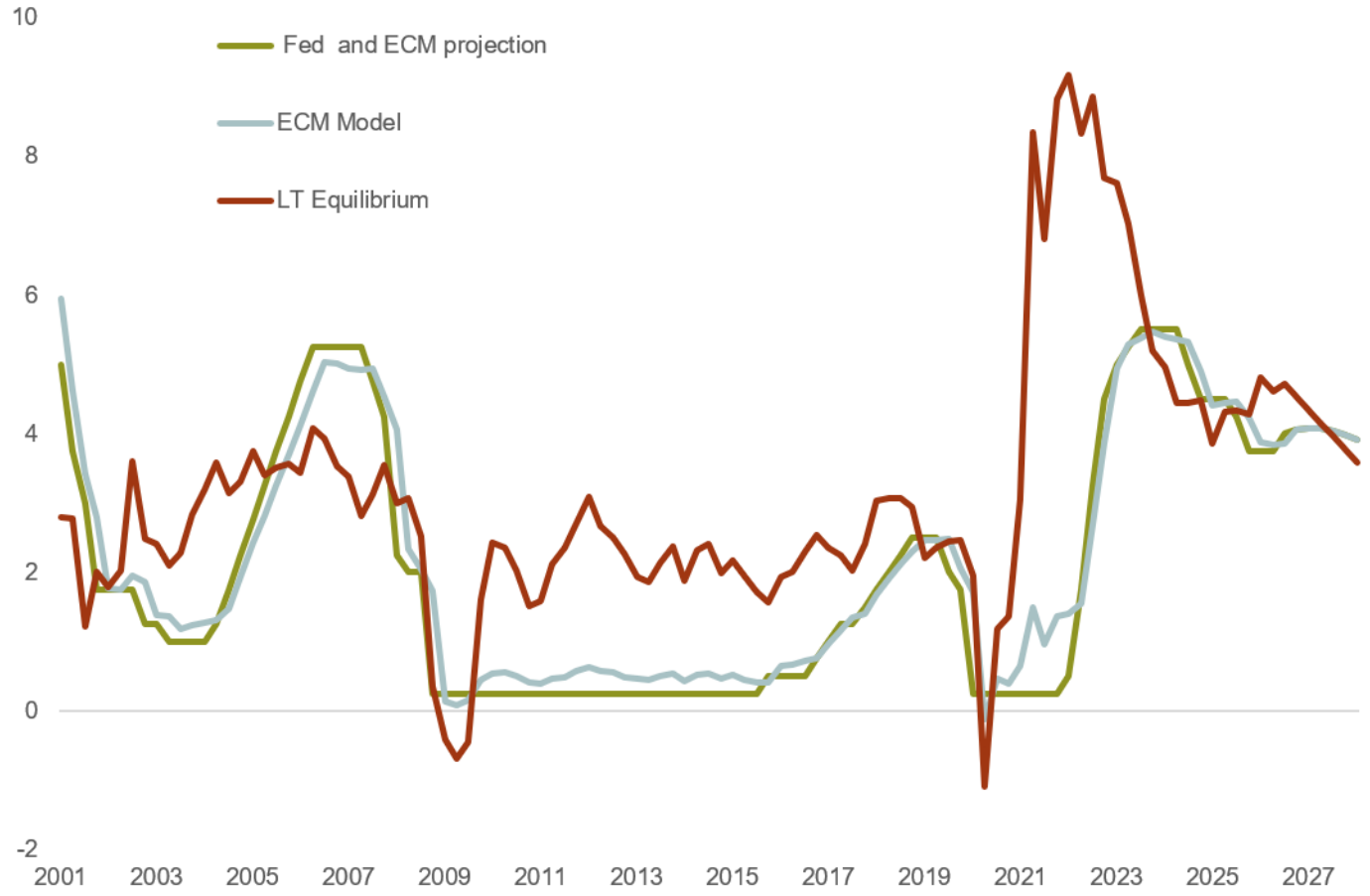
LET'S TALK ABOUT CENTRAL BANKS

Fed is becoming restrictive



Source: BCGE, Bloomberg. Analysis based on a proprietary error-correction model (ECM, ARDL) using inflation and GDP growth as main inputs

- ✓ The US benefits from a strong economic growth helped by support from Artificial Intelligence
- ✓ Inflation is still running hot in the US
- ✓ The Fed has no fundamental reason to cut its benchmark rate in the short-term
- ✓ But monetary policy will become restrictive next year

- ▪ **One rate hike in December and statu-quo in 2027**

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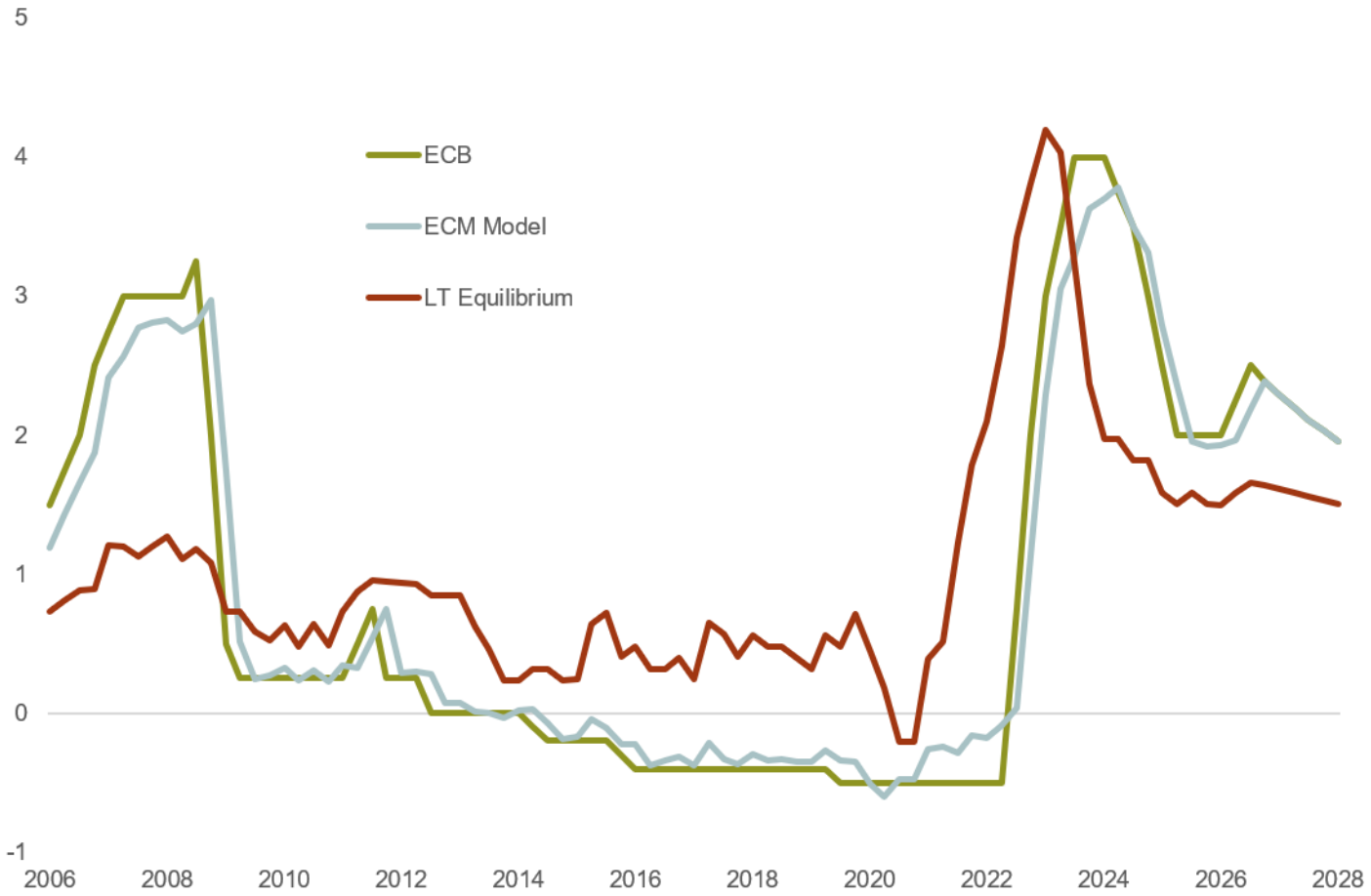
LET'S TALK ABOUT CENTRAL BANKS

The ECB has room to lower rates but…



Source: BCGE, Bloomberg.

- ✓ The ECB could lower rates from a fundamental standpoint
- ✓ But it's scared by potentially signaling it's not strong enough in its fight against inflation
- ✓ And issues are mounting:
  - ✓ Feb: Replacement at the helm of ECB
  - ✓ Feb: Germany's general election
  - ✓ Apr/May/Jun: France's presidential and parliamentary elections

- **One rate hike in December or January but followed by a rate cut in 2nd half of the year**

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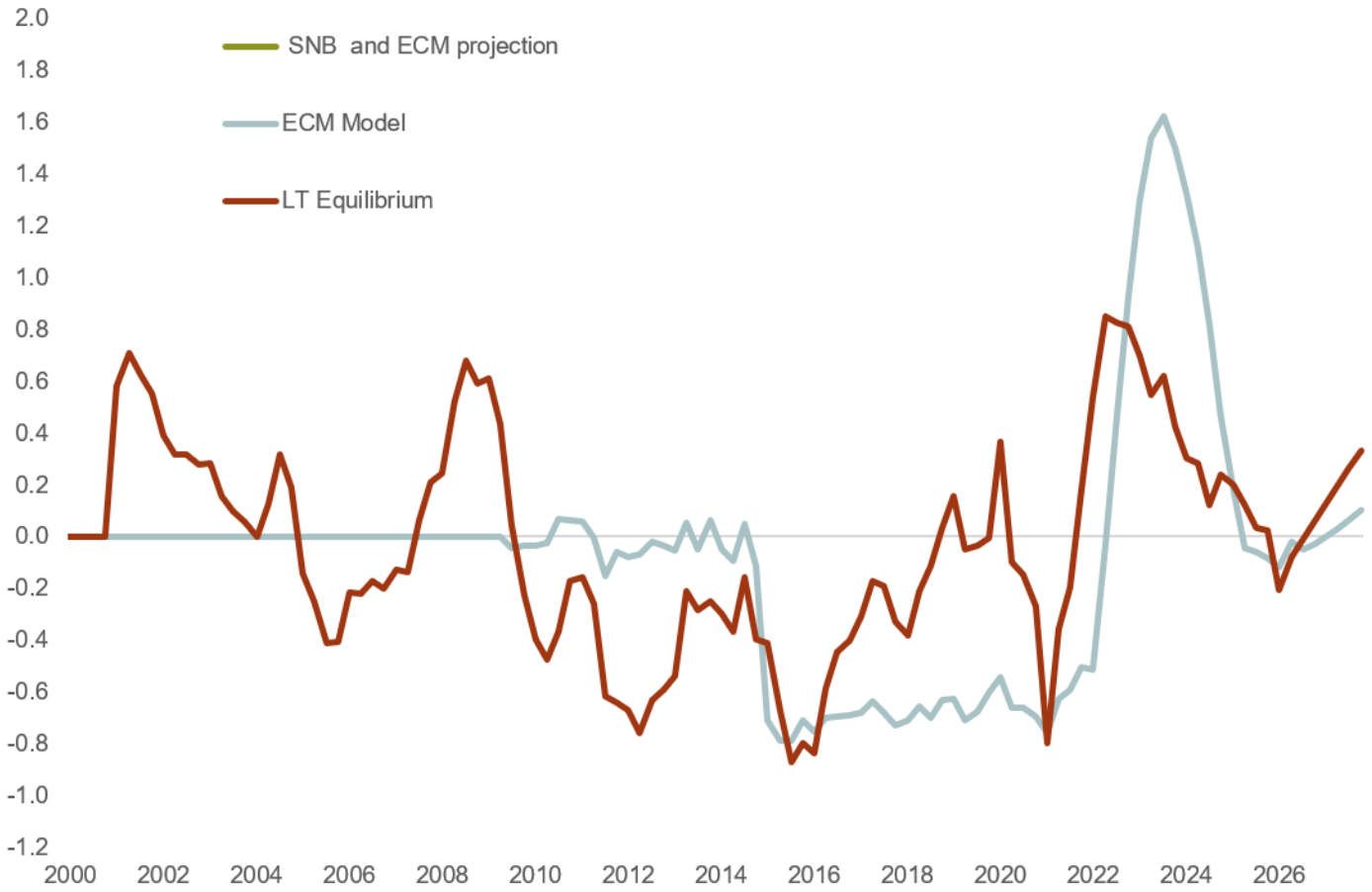
LET'S TALK ABOUT CENTRAL BANKS

The SNB could hike and should?



Source: BCGE, Bloomberg.

- ✓ From a fundamental standpoint, the SNB is in accommodative territory
- ✓ It could hike one or twice next year
- ✓ Maybe it should too in order to create a buffer in case of a forthcoming economic slowdown
- ✓ The biggest unknown will be the direction of the CHFEUR exchange rate if the financial situation gets worse in France and spreads across eurozone

- ▪ **1 or 2 rate hikes in 2027**

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LET'S TALK ABOUT CENTRAL BANKS

Key Forecasts

Benchmark rates

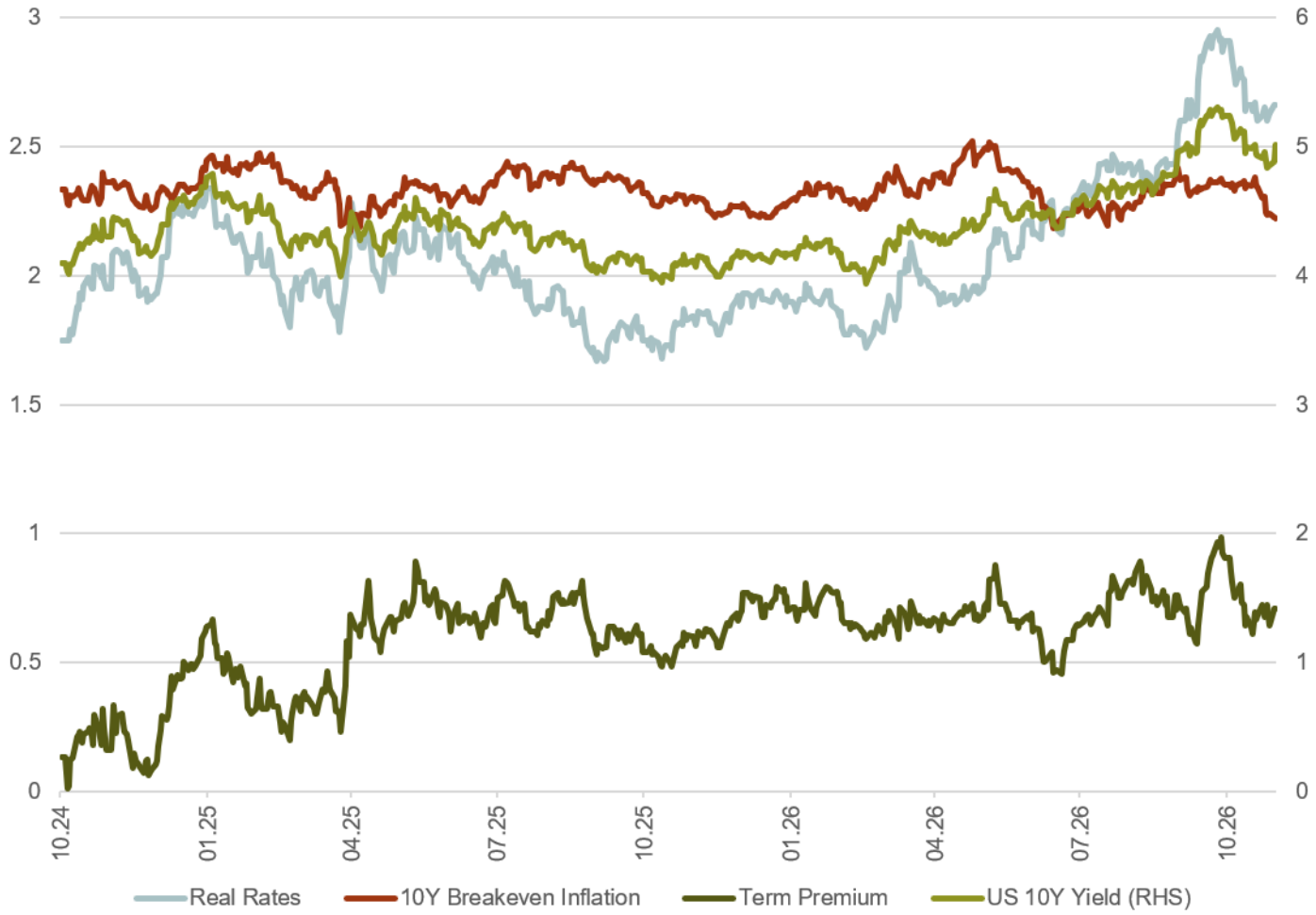
	Current	Fundamental 26	Market Dec 26	Forecast Dec 26	Forecast Dec 27
Switzerland	0.0%	0.0%	0.0%	0%	0.25-0.50%
Eurozone	2.5%	1.91%	2.73%	2.75%	2.25-2.50%
United States	4%	4.25%	4.25%	4.25%	4-4.25%

Source: BCGE, Bloomberg.

- **United States:** Fundamentals justify monetary tightening + "don't fight the Fed": A rate hike by the end of the year and a potentially cut in 2027.
- **Eurozone:** Less fundamental justification but the ECB has made clear its willingness to fight inflation and anchor inflation expectations and the change in tone at the Fed could prompt it to hike once this year. A single rate hike is rare.
- **Switzerland:** The SNB has no fundamental reason today to raise its benchmark rate but is becoming the only currency with a short carry trade and the interest rate differential could weaken the Swiss franc. How far is the SNB prepared to see the CHF depreciate?

LET'S TALK ABOUT US BONDS

Forget about inflation, the real driver is real rates and AI is behind it



Source: BCGE, Bloomberg.

- ✓ The US 10-year treasury yield is explained:
  - ✓ 86% by real rates
    37% by the term premium
    34% by inflation expectations
- ✓ The rise in real rates is explained by:
  - ✓ Higher growth anticipation thanks to hyperscaler Capex
  - ✓ A bond supply-demand imbalance created by the sharp increase in bond issuance by 1) hyperscalers and 2) governments
- ✓ We should see further competition from hyperscalers' debt issuance in 2027, reducing the capacity of long-term bond yields to fall
- ✓ Add to that budget deficit and risk of shutdown…

- ▪ **The competition between federal and hyperscaler debt issuance is only starting**

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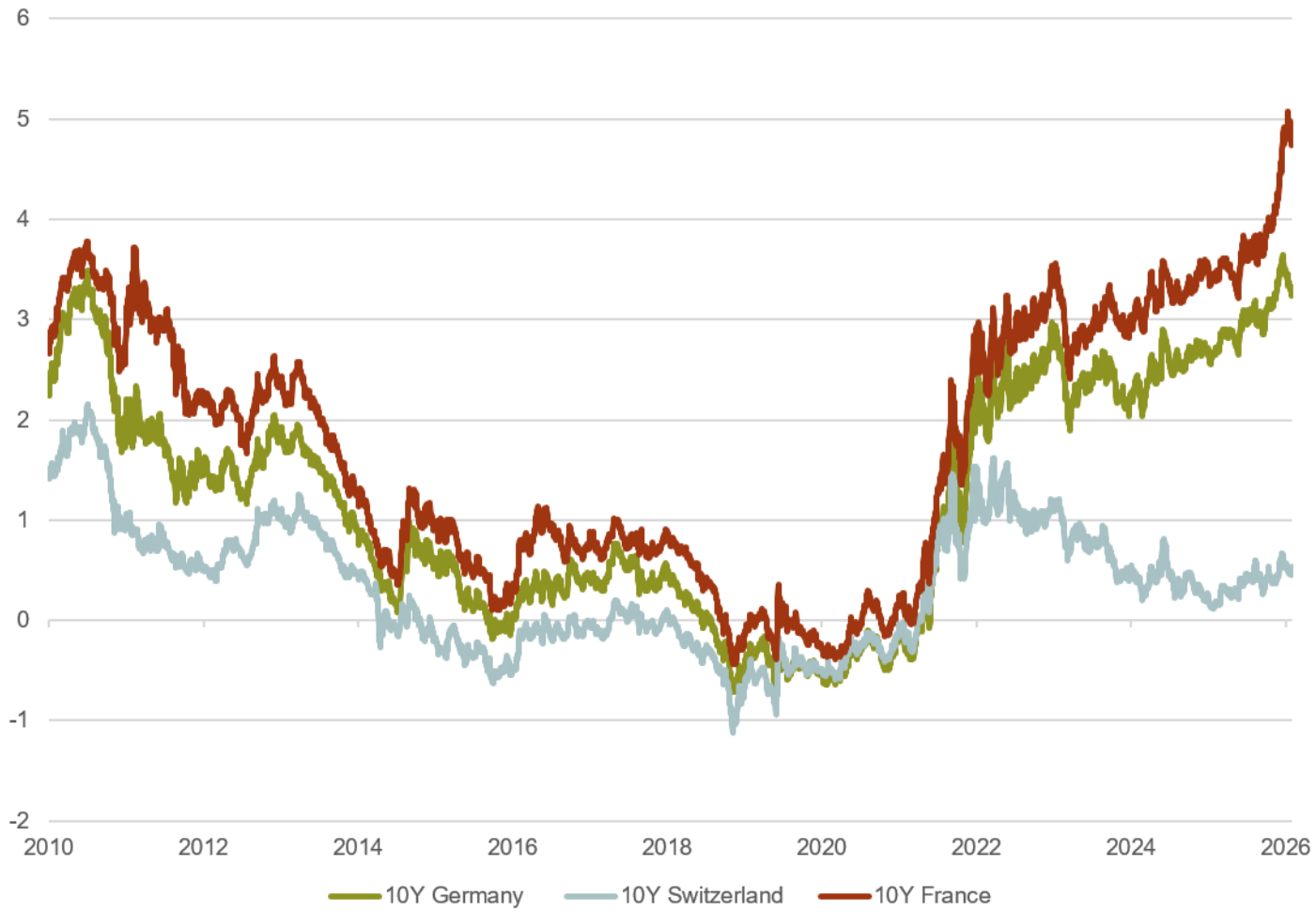
LET'S TALK ABOUT SWISS BONDS

Swiss isolationism



Source: BCGE, Bloomberg.

- ✓ Limited impact from hyperscalers bond issuance on swiss bonds
- ✓ 10 year spread between eurozone and swiss bonds explained by:
  - ✓ Inflation differential (~2%)
  - ✓ German fiscal policy and supply
  - ✓ ECB QT and reduced central bank demand (unwind of ECB asset-purchase programs)
  - ✓ Safe-haven dynamics
- ✓ Aside from inflation differential, all the other factors are likely to hold in 2027

- ▪ Swiss bonds don't pay but for a reason

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LET'S TALK ABOUT FRANCE

No risk spreading but "France" risk has room to get worse

October 2026

	Central Bank Reference Rate	10 Year Gov Rate	Difference	Spread vs. Germany	
United States	3.88	5.08	1.20		
Germany	2.44	3.41	0.97		
France	2.44	5.05	2.61	1.64	2
Switzerland	-0.06	0.53	0.59		
	US and Swiss average		0.90		
	Germany vs US and Switzerland spread		0.08		1

Source: BCGE WAM, Bloomberg.

November 2011

	Central Bank Reference Rate	10 Year Gov Rate	Difference	Spread vs. Germany	
United States	0.07	1.96	1.89		
Germany	0.50	2.26	1.76		
France	0.50	3.69	3.19	1.43	
Spain	0.50	6.70	6.20	4.44	2
Italy	0.50	7.26	6.76	5.00	2
Portugal	0.50	12.64	12.14	10.38	
Greece	0.50	29.87	29.37	27.61	
Switzerland	0.03	0.90	0.87		
	US and Swiss average		1.38		1
	Germany vs US and Switzerland spread		0.38		

1. No spreading of the "France" risk to Germany
2. "France" risk level still relatively low compared to 2011

Cautious view on European sovereign debt

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LET'S TALK ABOUT BONDS

Key forecasts

10 year bond yield

	Actual	Fundamental 27	Dec 27 Forecast	Return potential
Switzerland	0.53%	0.80%	0.70%	-0.9%
Eurozone	3.31%	3.0%	2.90%	6.34%
USA	4.99%	5.09%	4.90%	5.65%

Source: BCGE WAM, Bloomberg.
Return potential = Yield + (Δ Yield) * Duration

- Neutral on USD et EUR, underweight on CHF bonds/duration
- More inclined to take sovereign risk in the US than in the eurozone

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CONCLUSIONS

- 2026 has marked a landmarked shift in bond markets
- Yes, inflation is still a major issue, but supply demand is becoming a bigger factor
- In the US, supply- demand is driven by competition from hyperscalers and it should last a few years
- In the eurozone, supply-demand is driven by fiscal expansion in Germany, fiscal risk in France and reduction of ECB programs. This may stop faster.
- Switzerland’s monetary policy and bond dynamics are not just driven by domestic factors, but its safe-haven status is being reinforced by external dynamics
- But the overall conclusion for investors is that bonds are back, especially in the US


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Quai de l'Île 17 – CP 2251
1211 Genève 2

Mail: info@bcge.ch
Tél: +41 58 211 21 00