

# Allianz Global Opportunistic Bond

## Monthly commentary

### Investment Objective

The Fund aims at long-term capital growth and income by investing in global bond markets.

### What Happened in July

July brought some headwinds for major government bond markets as global equities posted fresh all-time highs amid optimism surrounding trade deals between the US and its key trading partners. Yields on major bond markets finished the month approximately 15 basis points (bps) higher, as a reflationary narrative was also supported by a modestly better tone in the US, with key data releases – such as nonfarm payrolls, retail sales, and Q2 gross domestic product (GDP) – exceeding market expectations. Two of the strongest-performing global macro themes of H1 – US yield curve steepeners and short US dollar positions – underwent some consolidation amid stretched positioning. After steepening by around 45 bps over H1, the US 7s30s curve ended the month flatter by 5 bps, and the US dollar gained 3% against the euro following an H1 decline of 14%.

In the euro area, the European Central Bank (ECB) kept rates unchanged after easing policy by 25 bps in June. Following eight rate cuts that have taken the deposit rate to 2.0%, members of the ECB's Governing Council have indicated that policy is likely to remain on hold for now. The US-EU trade deal has removed near-term tail risks for the euro area. Although activity levels remain weak and inflationary pressures have abated, there are few signs of further sequential deterioration in economic activity. Recent monetary and prospective fiscal policy easing make for a constructive medium-term growth outlook for the region.

### Portfolio Review and Strategy

US Treasury yields ended the month 15 bps higher, predominantly driven by increased inflation expectations (with real yields only 5 bps higher). The US yield curve meanwhile took a breather from the steepening tendency in H1, with the

7s30s curve 5 bps flatter as interest rate markets started to delay expectations of US Federal Reserve (Fed) easing in 2025. A high proportion of our active US duration in exposure was concentrated in Treasury Inflation Protected Securities (TIPS) which shielded the Fund from some of the bearish momentum in July, however on balance our long duration and curve steepening positioning detracted from performance.

During the month, we decided to implement a tactical flattener position on the German yield curve – expressed via buying 10-year versus 2-year Bunds. Market pricing of yet further ECB rate cuts and high expectations on German fiscal spending have led to a significant widening of the spread between 10-year and 2-year yields in recent months. Meanwhile, the inflation trajectory in the euro area appear benign with a stronger EUR and potential re-routing of Chinese goods further presenting a disinflationary impulse. This presents a more favourable backdrop for EUR duration and some re-flattening of the yield curve. The position added to returns in July.

Fiscal jitters meanwhile briefly re-emerged in the UK following the fiscal U-turn on welfare cuts and subsequent questions emerging around Rachel Reeves' position as Chancellor. We remain invested in 30-year Gilts paired against 30-year US Treasuries, however decided to book profit on our long UK Gilts versus German Bunds position. Our short position in long-dated US Treasuries (paired against UK Gilts and Spanish government bonds) contributed to performance over the month.

In currency markets, following the impressive US dollar demise over H1, July saw a modest rebound with the trade-weighted dollar 3% higher. This presented a more challenging backdrop in July for our short USD theme (with short positions in the USD versus EUR, KRW, BRL and IDR). However, we maintain a structurally bearish view on the USD and used this temporary setback to modestly add to our long EUR versus USD position.

Meanwhile, our relative value crosses long NOK versus SEK, and long AUD versus GBP contributed to performance in July. We decided to add to our short positioning in GBP – consistent with our view that more cuts by the Bank of England (BoE) than is currently priced may be required given the weak domestic outlook – paired against a long position in CAD, where the Bank of Canada's (BoC's) monetary easing increasingly begin to stabilise the real economy. The position added to performance in July.

In credit markets, global investment grade (IG) corporate spreads tightened a further 9 bps in July, with EUR (-13 bps) corporates outperforming their US counterparts (-7). Spread risk remained conservative in allocation, with a modest long via allocations to IG corporates (sector focus on senior Financials and Utilities versus cyclical Industrials), partially hedged via buying protection in credit default swap (CDS). Overall, the credit positioning added value to performance in the month.

Looking ahead, we think sovereign bond market volatility is likely to remain elevated in the coming months, given the evolving macro and policy landscape. With several high-profile trade deals recently announced, the immediate uncertainty surrounding the global growth outlook may have been mitigated. However, US trade policy remains far too erratic for a tranquil market environment to persist. Moreover, with the US putting pressure on Russia to imminently strike a deal with Ukraine, upside risks to energy prices have re-emerged – leaving an undercurrent of stagflation risks in place. In the US, our highest conviction medium-term view remains for a continued steepening of the 7s30s yield curve, given the combination of cyclical and structural forces impacting the economy.

Connect with Us

[sg.allianzgi.com](https://sg.allianzgi.com)

+65 6438 0828

Search more

 [Allianz Global Investors](#)Like us on Facebook [Allianz Global Investors Singapore](#)Connect on LinkedIn [Allianz Global Investors](#)Subscribe to YouTube channel [Allianz Global Investors](#)

All data are sourced from Bloomberg and Allianz Global Investors as of 31 July 2025 unless otherwise stated.

The information presented here is intended for general circulation and does not constitute a recommendation to anyone; it also has not taken into account the specific investment objectives, financial situation or particular needs of any particular person. Information herein is based on sources we believe to be accurate and reliable as at the date it was made. We reserve the right to revise any information herein at any time without notice. No offer or solicitation to buy or sell securities and no investment advice or recommendation is made herein. In making investment decisions, investors should not rely solely on this publication but should seek independent professional advice. However, if you choose not to seek professional advice, you should consider the suitability of the product for yourself. Past performance of the fund manager(s) and the fund is not indicative of future performance. Prices of units in the Fund and the income from them, if any, may fall as well as rise and cannot be guaranteed. Distribution payments of the Fund, where applicable, may at the sole discretion of the Manager, be made out of either income and/or net capital gains or capital of the Fund. As a result of the payment, the Fund's net asset value is expected to be immediately reduced. The dividend yields and payouts are not guaranteed and might change depending on the market conditions or at the Manager's discretion; past payout yields and payments do not represent future payout yields and payments. Investment involves risks including the possible loss of principal amount invested and risks associated with investment in emerging and less developed markets. The Fund may invest in financial derivative instruments and/or structured products and be subject to various risks (including counterparty, liquidity, credit and market risks etc.). Investing in fixed income instruments (if applicable) may expose investors to various risks, including but not limited to creditworthiness, interest rate, liquidity and restricted flexibility risks. Changes to the economic environment and market conditions may affect these risks, resulting in an adverse effect to the value of the investment. During periods of rising nominal interest rates, the values of fixed income instruments (including short positions with respect to fixed income instruments) are generally expected to decline. Conversely, during periods of declining interest rates, the values are generally expected to rise. Liquidity risk may possibly delay or prevent account withdrawals or redemptions. Past performance, or any prediction, projection or forecast, is not indicative of future performance. Investors should read the Prospectus obtainable from Allianz Global Investors Singapore Limited or any of its appointed distributors for further details including the risk factors, before investing. The duplication, publication, extraction, or transmission of the contents, irrespective of the form is not permitted, except for the case of explicit permission by Allianz Global Investors. This publication has not been reviewed by the Monetary Authority of Singapore (MAS). MAS authorization/recognition is not a recommendation or endorsement. The issuer of this publication is Allianz Global Investors Singapore Limited (79 Robinson Road, #09-03, Singapore 068897, Company Registration No. 199907169Z).