

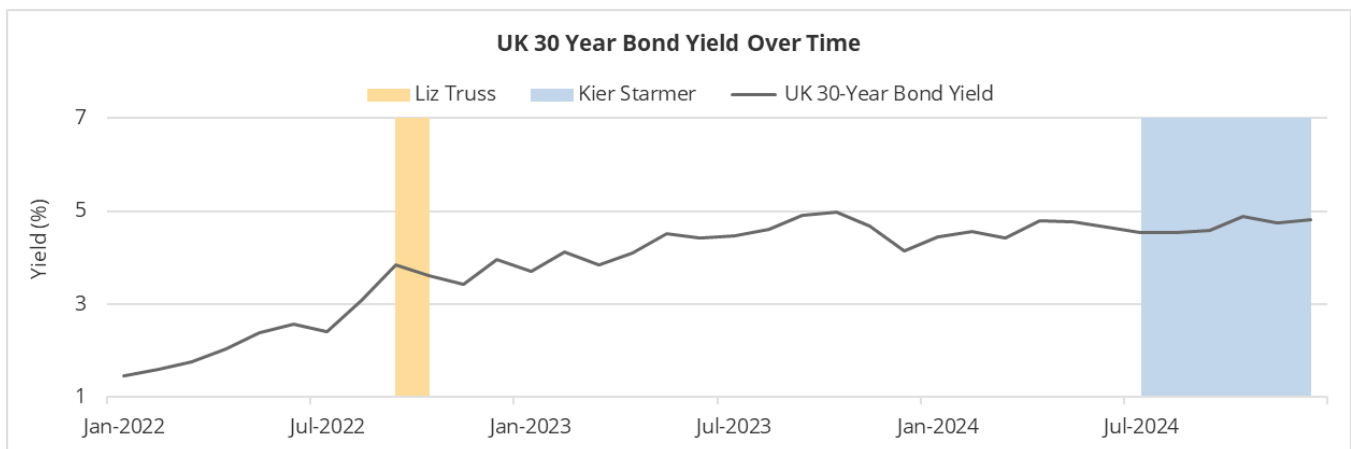
Rising Bond Yields Highlight Mixed Market Confidence in UK Leadership

The UK's bond market is sending a clear signal: confidence in fiscal and economic policy **remains fragile**. Under Prime Minister Keir Starmer, 30-Year bond yields have risen significantly above the levels seen during Liz Truss's turbulent tenure. While markets previously cheered a stable pound and resilient equities, recent trends tell a more nuanced story. Yields remain high, the pound shows signs of weakening, and the FTSE 100 is largely stagnant. This points to **mixed confidence** in the UK's economic direction.

Bond Yields Are Rising—and Staying High:

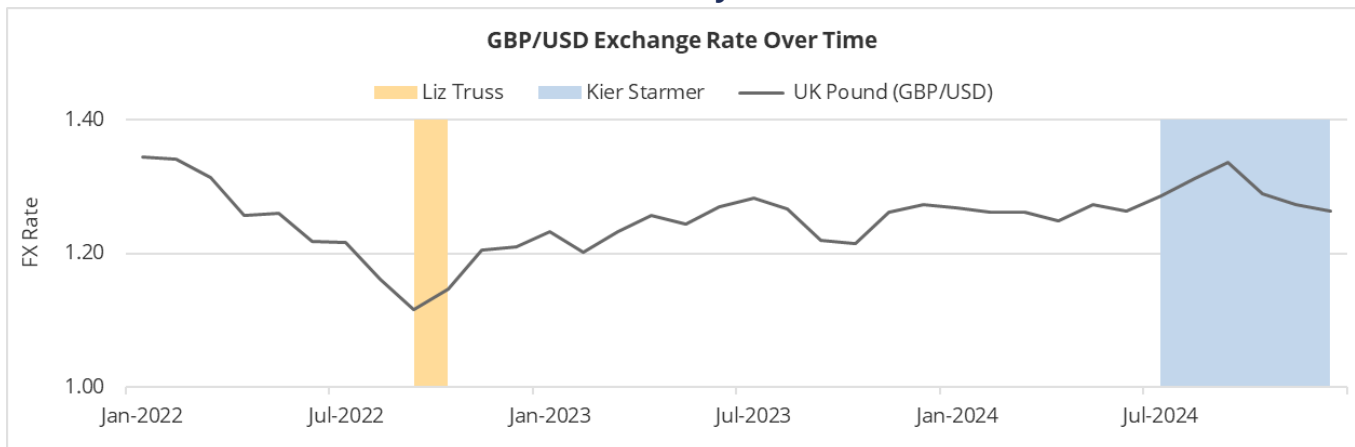
- The 30-Year UK bond yield has averaged **4.71%** under Starmer, compared to **3.60%** during Truss's administration.
- Elevated yields suggest markets are grappling with concerns over fiscal discipline and rising debt levels, despite broader global trends of higher interest rates. (*Refer to Chart 1*)

Chart 1: UK 30-Year Bond Yields: Elevated Risk Premiums Reflect Cautious Market Sentiment

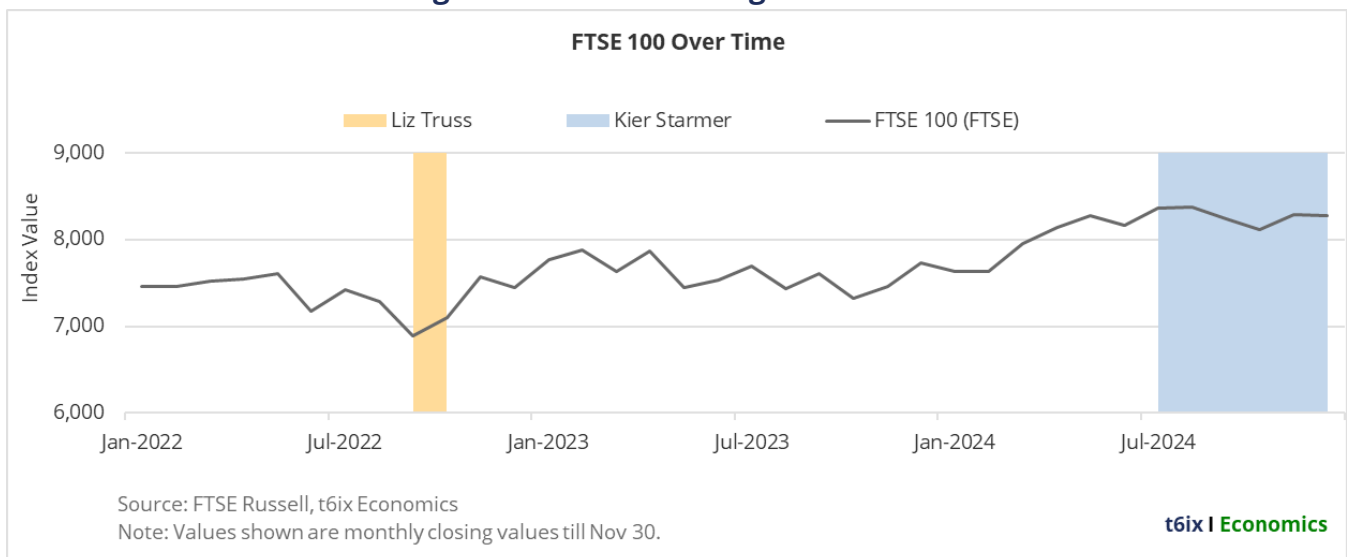


GBP/USD Weakens After Recovery:

- Following a post-Truss rebound, the pound now averages **1.30**, down slightly from earlier highs but stronger than the crisis levels during Truss's tenure (**1.15**).
- This modest decline reflects persistent concerns over the UK's growth trajectory. *(Refer to Chart 2)*

Chart 2: GBP/USD Trends: A Recovery Stalls Amid Growth Concerns**FTSE 100 Shows Limited Momentum:**

- Under Starmer the FTSE 100 index has shown no material gains and a slight decline.
- Markets appear cautious about corporate earnings amid tighter financial conditions and lingering economic uncertainty. *(Refer to Chart 3)*

Chart 3: FTSE 100: Stagnant Performance Signals Muted Investor Confidence

AREAS OF CONCERN

The UK presents a complex narrative, with key areas of concern including:

- **Fiscal Credibility:** Bond yields indicate that investor skepticism about fiscal discipline persists. The government must reassure markets with a clearer plan for debt sustainability while maintaining growth-friendly policies.
- **Stagnating Growth:** The pound's recent softness reflects muted growth expectations, with little indication of a significant economic resurgence.
- **Equity Market Hesitancy:** The flat FTSE 100 reflects a cautious outlook on corporate performance, underscoring subdued investor sentiment.

TAKEAWAYS

Under Starmer's leadership, the UK faces a critical juncture. While his administration has avoided the extreme market volatility seen during Truss's tenure, mixed signals persist. To improve confidence:

- **Address Fiscal Concerns:** Outlining a sustainable fiscal strategy is essential to stabilize bond markets and mitigate risk premiums.
- **Reignite Growth Optimism:** Pro-growth reforms and clear communication of long-term strategies can help reverse negative sentiment on GBP/USD.
- **Boost Corporate Confidence:** Stabilizing the economic environment could unlock equity market potential, breaking the FTSE 100 out of its current stagnation.

FINAL THOUGHTS

The UK's current economic dynamics showcase the delicate balance between fiscal discipline and growth ambitions. With elevated bond yields, a slightly weaker pound, and a stagnant FTSE 100, **markets are cautious but not in panic mode**. The Starmer administration has an opportunity to restore full confidence, but the **clock is ticking**.

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