



(UBS)

President Trump floats further tax cuts

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The US president said on Tuesday that his administration was considering eliminating taxes on capital gains from home sales. "If the Fed would lower the rates, we wouldn't even have to do that," he said. "But we are thinking about no tax on capital gains on houses."

The suggestion comes after the approval earlier in July of President Trump's flagship tax and spending bill, which the Committee for a Responsible Federal Budget has estimated will add more than USD 4 trillion to US government debt over the coming decade.

Worries over rising US debt caused a spike in US Treasury yields in May, though sentiment later stabilized. Markets have also been unsettled by concerns over the independence of the Federal Reserve, following repeated criticism of Fed Chair Powell by President Trump, who has argued that policy rates should be lowered.

Our view: Our view is that markets have already priced in higher deficits and that US debt remains sustainable. We expect the yield on the 10-year US Treasury to decline to around 4% by the end of the year, from 4.37% at the time of writing, as the Fed resumes easing over the coming months. We expect the funding of the deficit will likely come through increased short-end supply, especially Treasury bills. The 30-year yield has declined the least after rising more than other points on the curve as Trump's fiscal package made its way through Congress. This is indicative of long-end yields being most sensitive to debt sustainability concerns.

We favor high-quality investment grade bonds in the intermediate area of the yield curve as they offer attractive risk-return profiles and allow investors to lock in yields at historically attractive levels.

For more, see the US Daily report - [Trump's Japan deal points to improving trade clarity, 23 July 2025](#).

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