Market Update – August 2019

Bond yields reached new lows in August, driven to unprecedented levels by a multitude of fears. Worsening economic growth, the escalating trade war, Brexit and downcast inflation expectations all played a role, as did the belief that central banks are preparing to intervene yet again and on a significant scale. Not long ago it would have been hard to believe that the US 10yr Treasury – trading above 3% less than a year prior – would now be wallowing below 1.5%, or that the German government could issue 30 year bunds with a negative yield. With $17tn of bonds around the world now in negative territory, we are in unprecedented times. In contrast, equities have offered unspectacular returns all summer. Fixed income has been the only play in town, at least for now.