



The Investment Consequences of a Normalization in Long Rates

October 26, 2018
by Team
of Knowledge Leaders Capital

On this quarter's conference call, Steve and Bryce dissected US Treasury bonds, discussing the message of the rates market and how this is directing asset allocation. The following slide deck covers their discussion of the following:

- The bond market has enjoyed a 10-year tailwind from a collapsing term premium. We believe this is probably over and is being driven by three significant trends.
- The bond market seems to have embraced a normalization in short rates on the back of fiscal stimulus, but investors may be behind the curve when it comes to long rates. We believe the foundations for a higher term premium are in place, something investors haven't dealt with in a decade.
- Investing in an environment of a rising term premium is difficult. There are few equities or fixed income securities that perform well and risk management is difficult.
- We believe the trade war is having multiple economic impacts on growth and inflation, widening the range of possible outcomes for risky asset prices.

Download the slides here: [The Investment Consequences of a Normalization in Long Rates](#)

© Knowledge Leaders Capital