

Government Bond Yields Turning Up

The downtrends that have been in place in government bond yields at the long end appear to be breaking. See Chart 1 below. Ten year yield charts in the UK, Canada and Australia show a similar picture. As I write German 10 year yields, while not necessarily breaking their downtrend, are on course for their biggest upside day (+11.7 bps) since January 2013.

Chart 1: US 30YR and US 10YR Yields with 100 Day Moving Averages



Source: Bloomberg

Stanley Druckenmiller recently commented in reference to China that "whenever I see a stock market explode, six to twelve months later you are in a full blown recovery" (Source: Bloomberg). This is insightful and is supportive of the idea that energy prices have bottomed. We suspect deflationary fears have peaked and that bond yields have little priced in against this background.

Chart 2: Crude Oil (June 2015): 28% off its lows



Source: Bloomberg

Conor O'Mara, Investment Director, April 29th 2015

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