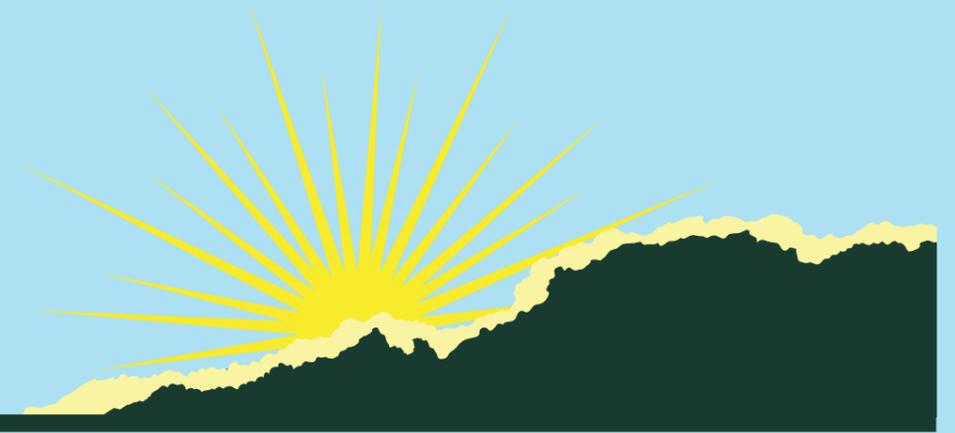


Brighter Times for Bonds? Fixed Income Now

After a tough period, things are changing in Fixed Income. Where should you be looking now?



Where Are We Now?

Steepening Yield Curves

As policy rate cuts come into view we expect yield curves to **ultimately steepen** in the coming quarters.

The US Treasury market is more advanced on this journey whereas European sovereign markets may take longer given inflation dynamics.



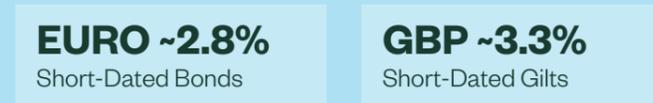
In the meantime investors in European fixed income can take advantage of **much improved short-end yields**, consider their investment-grade credit exposure and potentially look at US Treasuries if the currency hedging regime turns more favourable.

Where to Look

Stay Shorter on Term Structure

There are opportunities for investors in this environment. **Much higher short-dated sovereign yields** and the prospect of further rate hikes offer euro and sterling investors (among others) one of the best yield-duration trade-offs in some time.

This means that investors in short-dated sovereign and corporate debt can start to capture much **improved yield per year of duration** as the cycle progresses.



Investment-Grade Credit

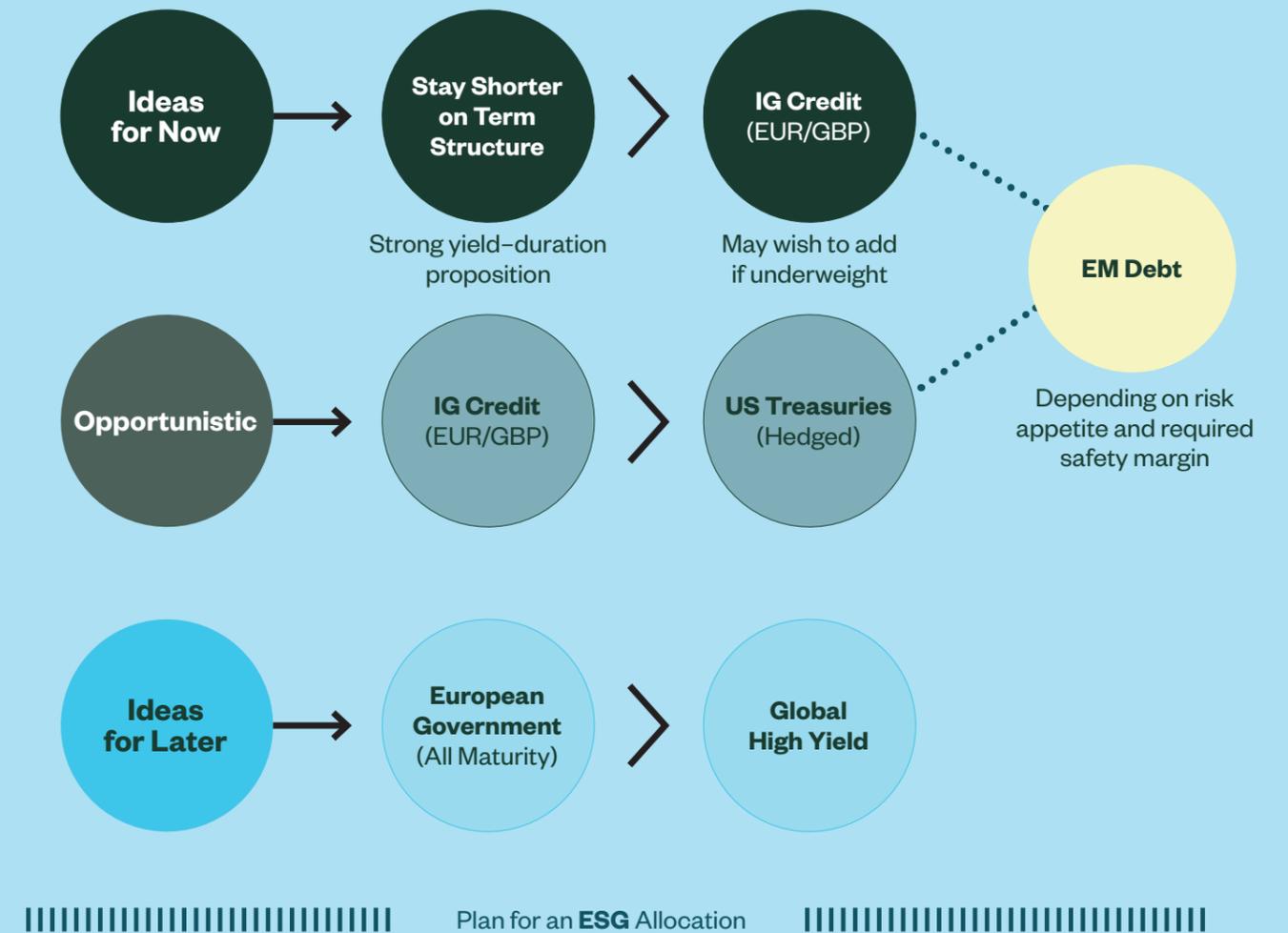
With spreads close to long-term averages some investors may not see this as sufficient and hold out opportunistically. However, those who are underweight may wish to move back towards neutral given the **attractive carry** and emerging visibility on the rate and credit cycle.

EM Debt

Emerging market debt may be at a **turning point**. Sentiment has certainly improved with emerging markets attracting near record inflows in late January.

Yields have fallen quickly recently and a pullback might offer an **attractive entry point** as fundamentals turn and the rate cycle provides added support.

2023 Fixed Income Game Plan



➔ **Discover more about where to look and what to do in 2023.**

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