Janus Henderson

Jenna Barnard, CFA – Why are consensus bond yields always wrong and what are the implications for all asset classes?

- At the long-end, bond yields are anchored. Thematic trends are keeping bond yields and economic growth low
- We look for 'sensible income' – lending to quality companies for the longer term – and employ active duration management
- Our long-term view hasn't changed. As an industry, we are terrible at forecasting bond yields. Everyone says yields will rise every year and they don't. There is a bias in the industry
- The correlation between bond yields and other asset classes is very high. Correlation between real yields and gold is 95%
- We constantly hear that we're in a rising rate environment. It's just not the case
- Did Donald Trump's fiscal stimulus create inflation? No, it didn't make any difference. Fiscal stimulus programmes don't drive yields higher
- Central bank interest rate guidance is not useful
- There are narrative fallacies about bonds that the data doesn't support
- We allocate to countries where they're likely to cut rates – such as Australia, across government bonds and quality investment grade bonds. This year, we have 10% in investment grade Euro-denominated bonds
- In the UK, it's confusing. Most opportunities are outside the UK
- US rates have peaked at 2.4% versus 5.25% last cycle. If the US can't normalise, no-one else can
- New job vacancies have flat-lined. Some labour markets are starting to move. Central banks are starting to move even though it's not a recession
- We believe that we can make money on duration and disagree with the industry consensus
- Sterling is only around 14% of the fund. We don't have any emerging markets
- We lend to large cap, high return on capital, growth companies. No airlines, fashion retailers, commodities

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