

## J.P. Morgan Asset Management

### Iain Stealey - The final countdown: managing fixed income in late cycle

- The global economy is shifting, and the situation has worsened. As a result, central banks have turned to a dovish stance
- There are lots of opportunities outside of the UK and we don't want to be pigeon-holed there
- Income is important, but having diversification is also vital as we come towards the end of the cycle
- We have two main strategies - the Unconstrained Bond fund is more absolute return cash-plus strategy that aims to protect on the downside. The Global Bond Opportunities fund is more 'total return', where we're looking to harness the whole of the fixed income space and generate as much upside as we can
- Investors shouldn't be afraid of duration. The tightening cycle has definitely turned: the Fed is going to be cutting this year, with other central banks already underway
- 'Japanification' remains a realistic threat
- Last year, everyone was concerned about investment grade credit because leverage was going up across corporations, particularly in the US. This has reversed to some extent
- Business sentiment has rolled over but consumer sentiment, particularly in the US, is holding up well. There is low unemployment and wages are picking up faster than inflation
- We had lower duration in our portfolios, because we thought rates were rising, but have now reversed that, adding duration over the past few months. Equally, we have reduced our high yield as we shift up in quality
- We're not focusing on benchmarks. Instead, we are shifting the allocation around to capture opportunities

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