



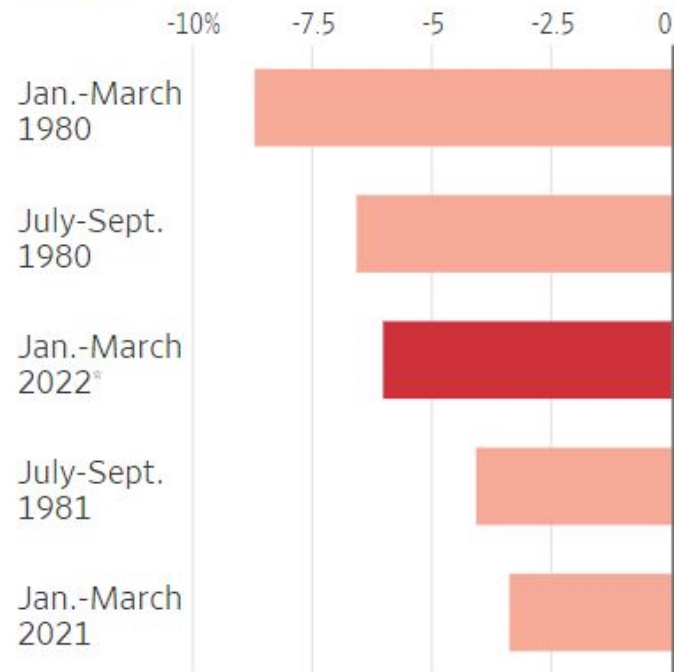
IT'S BOND, CONTRARIAN BOND

Agenda: Bonds, Contrarian Bonds

- Movements in bond yields
- Global tightening, fiscal and monetary
- European economy, war and energy shock
- Chinese economy, property bust and COVID shock
- US economy, inflation and interest rate shock
- Spanish Flu analogy
- Implications for markets

Movements in Bonds

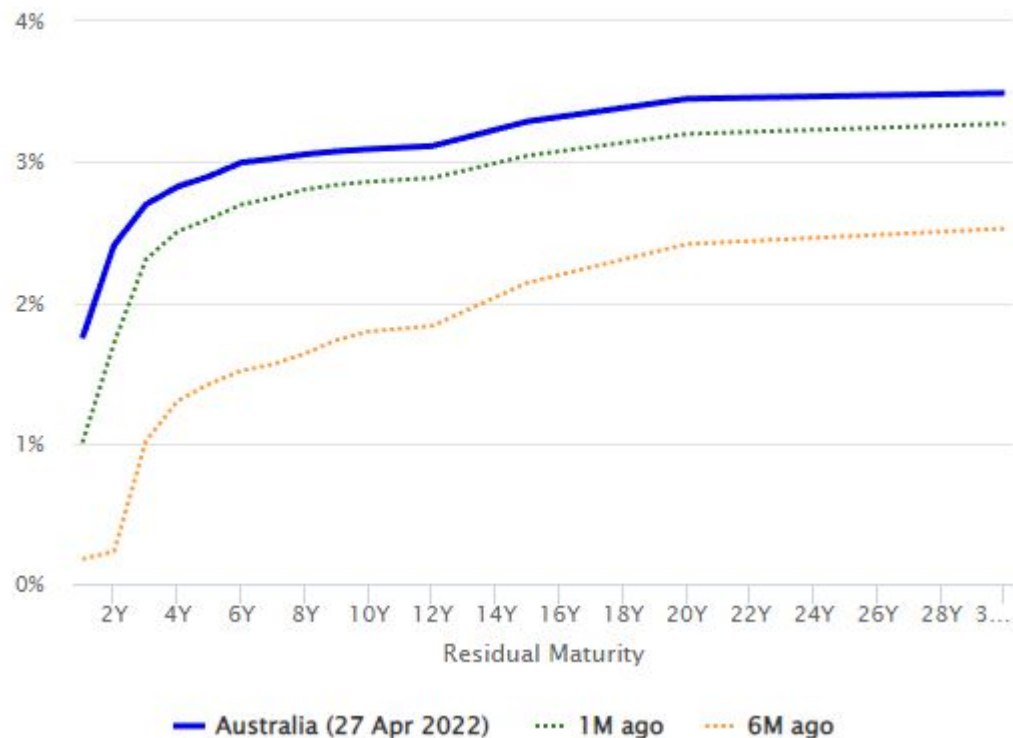
Bloomberg U.S. Aggregate Index, quarterly returns



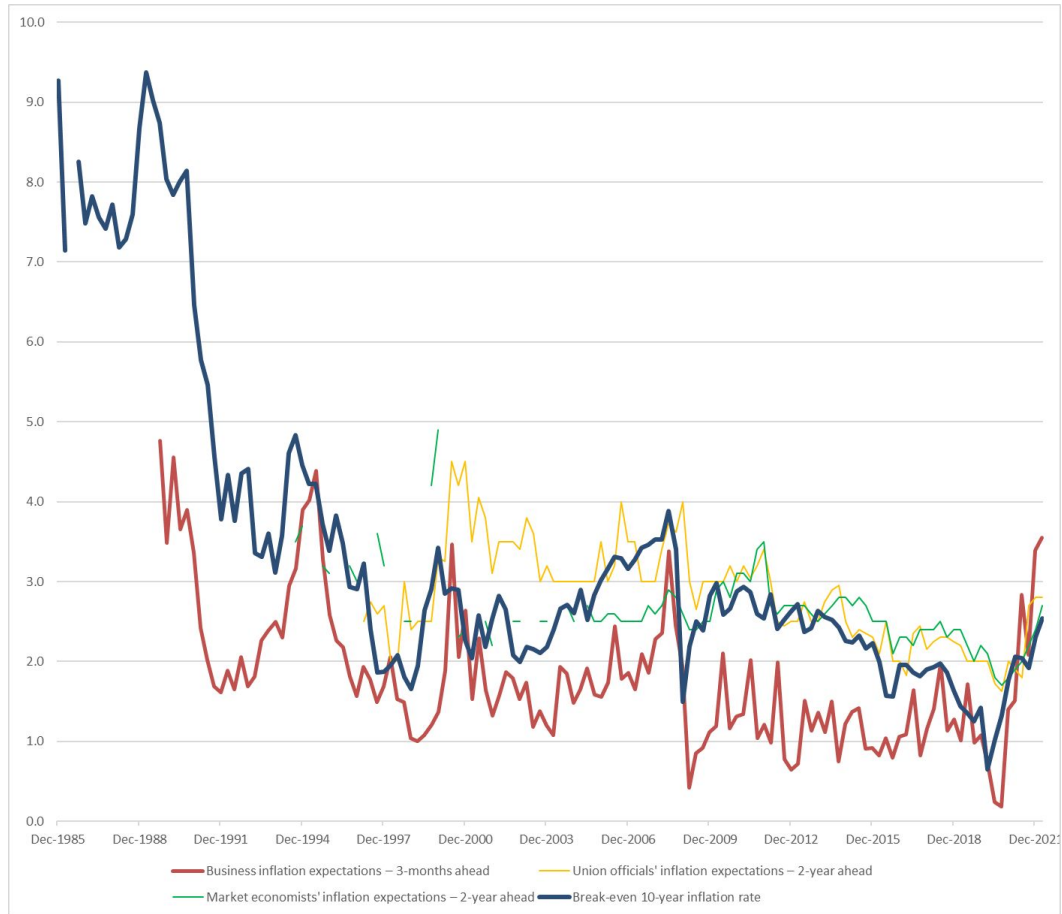
Note: 2022 data is through March 30.

Source: FactSet

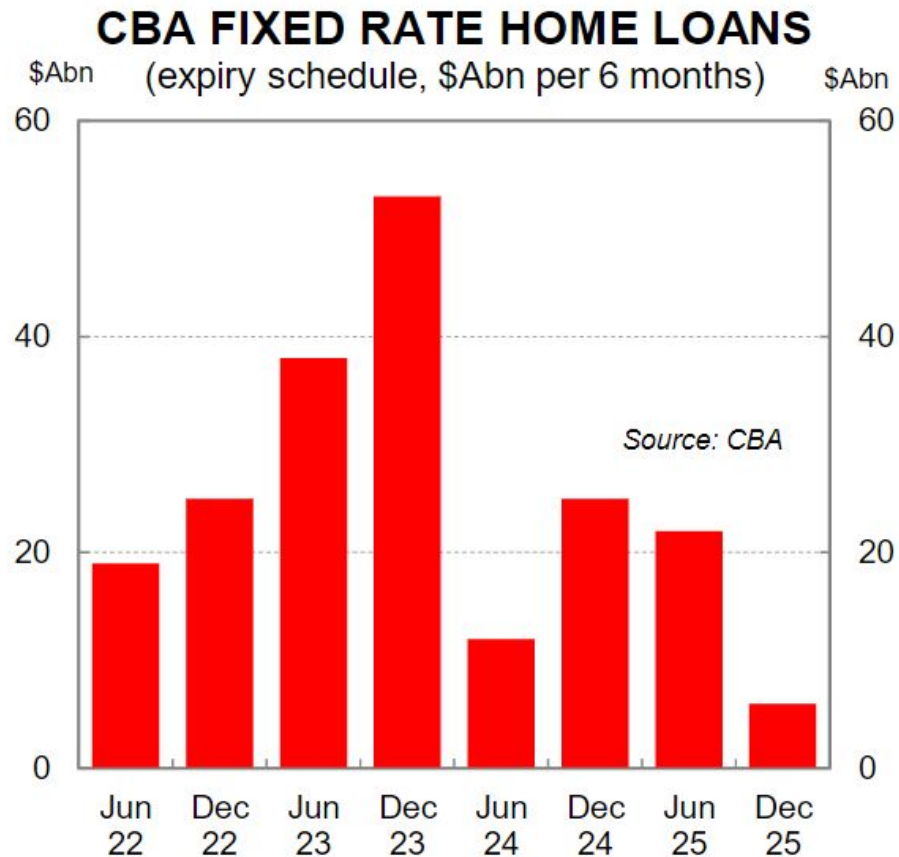
Australia Government Bonds



Australian Inflation Expectations



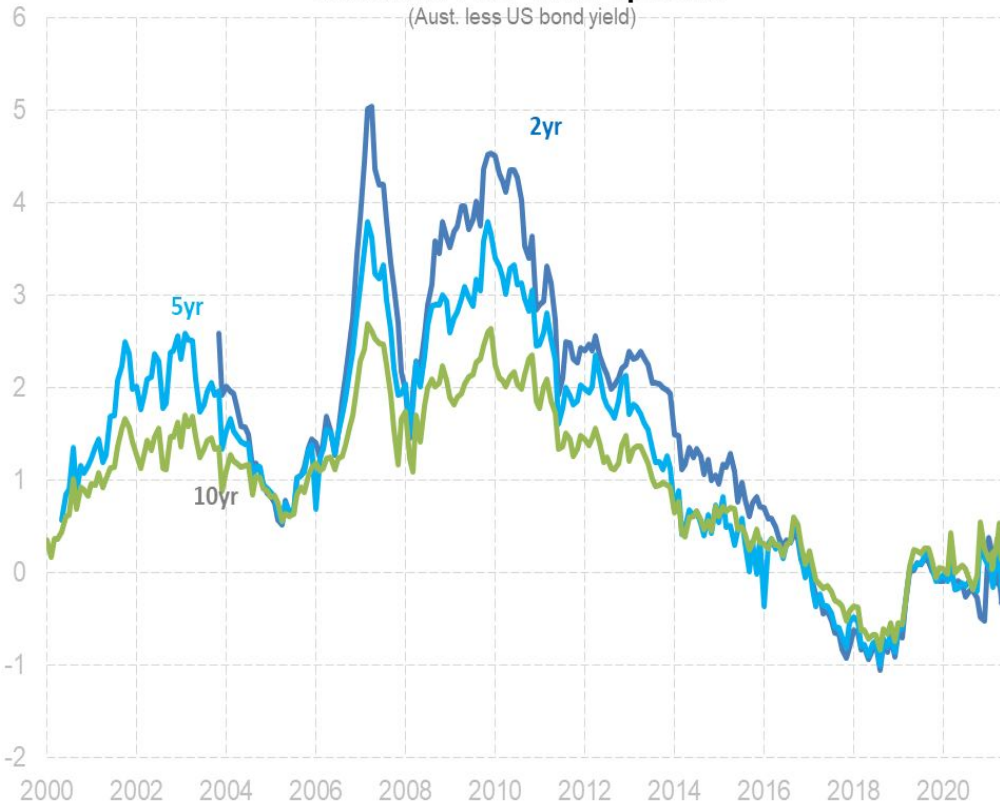
Australian \$500bn fixed-rate mortgage reset



Australia vs US Spreads: Back to trading above

Australia / US Yield Spreads

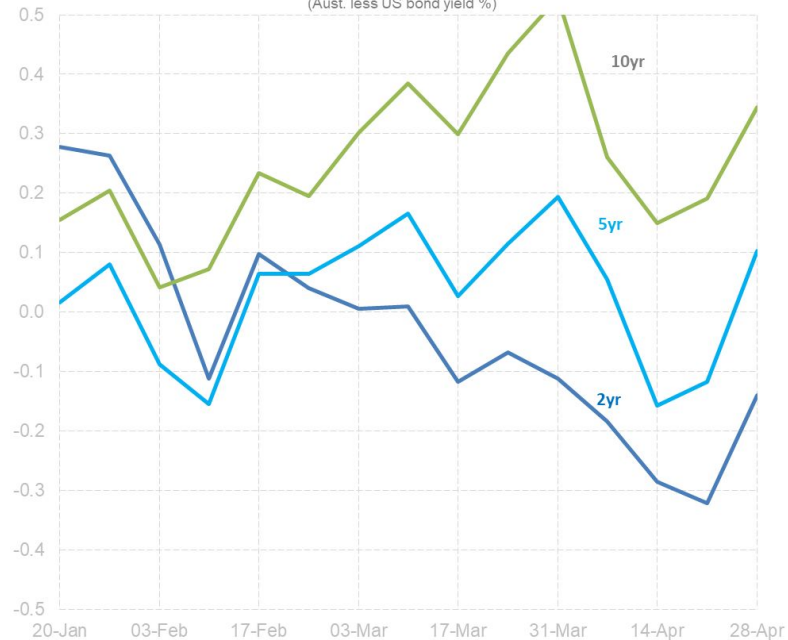
(Aust. less US bond yield)



Source: S&P Capital IQ, Nucleus Wealth

Australia / US Yield Spreads

(Aust. less US bond yield %)

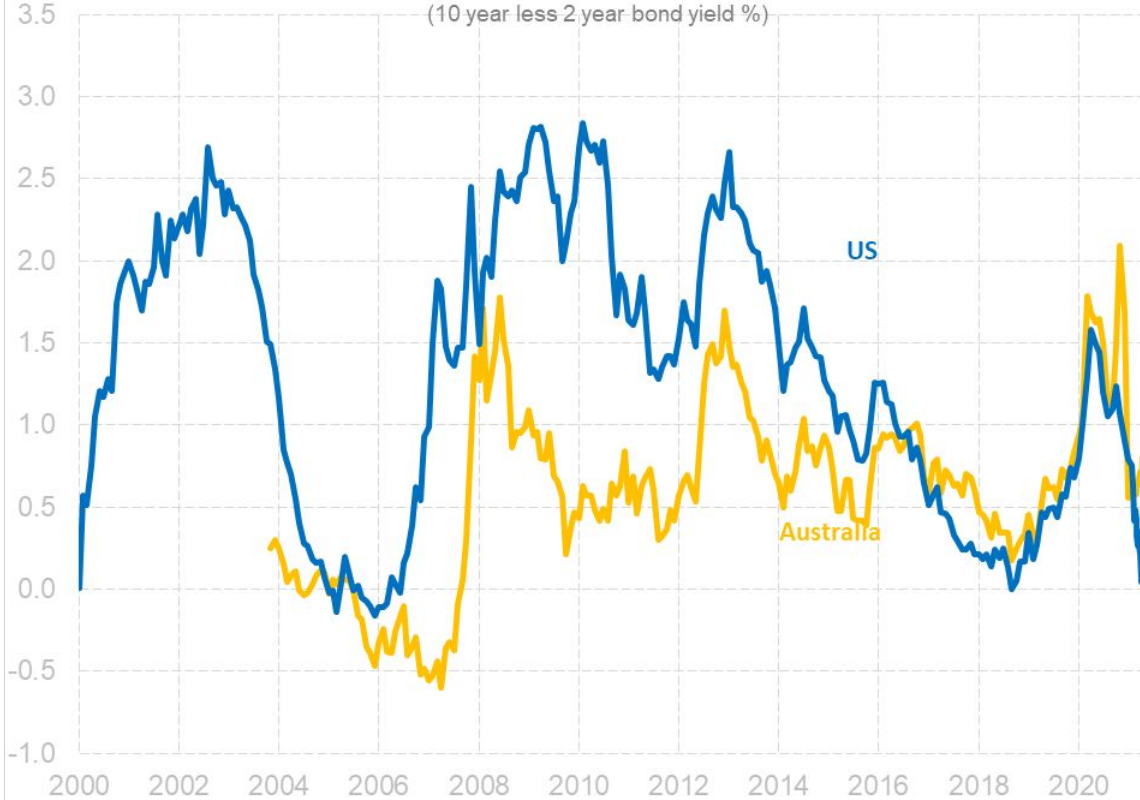


Source: S&P Capital IQ, Nucleus Wealth

Australia vs US Steepness: Diverging

Australia / US Bond Steepness

(10 year less 2 year bond yield %)



Source: S&P Capital IQ, Nucleus Wealth

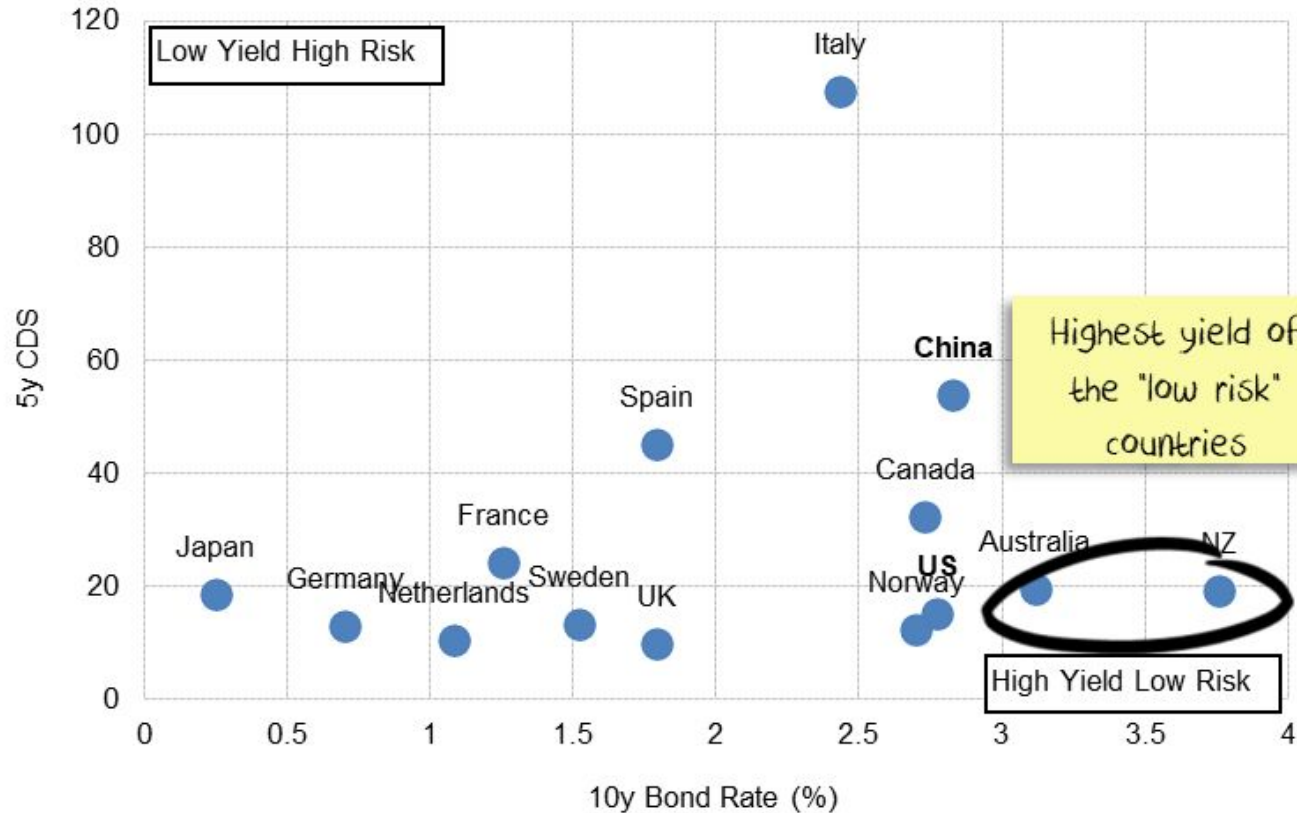
Australia / US Bond Steepness

(10 year less 2 year bond yield %)

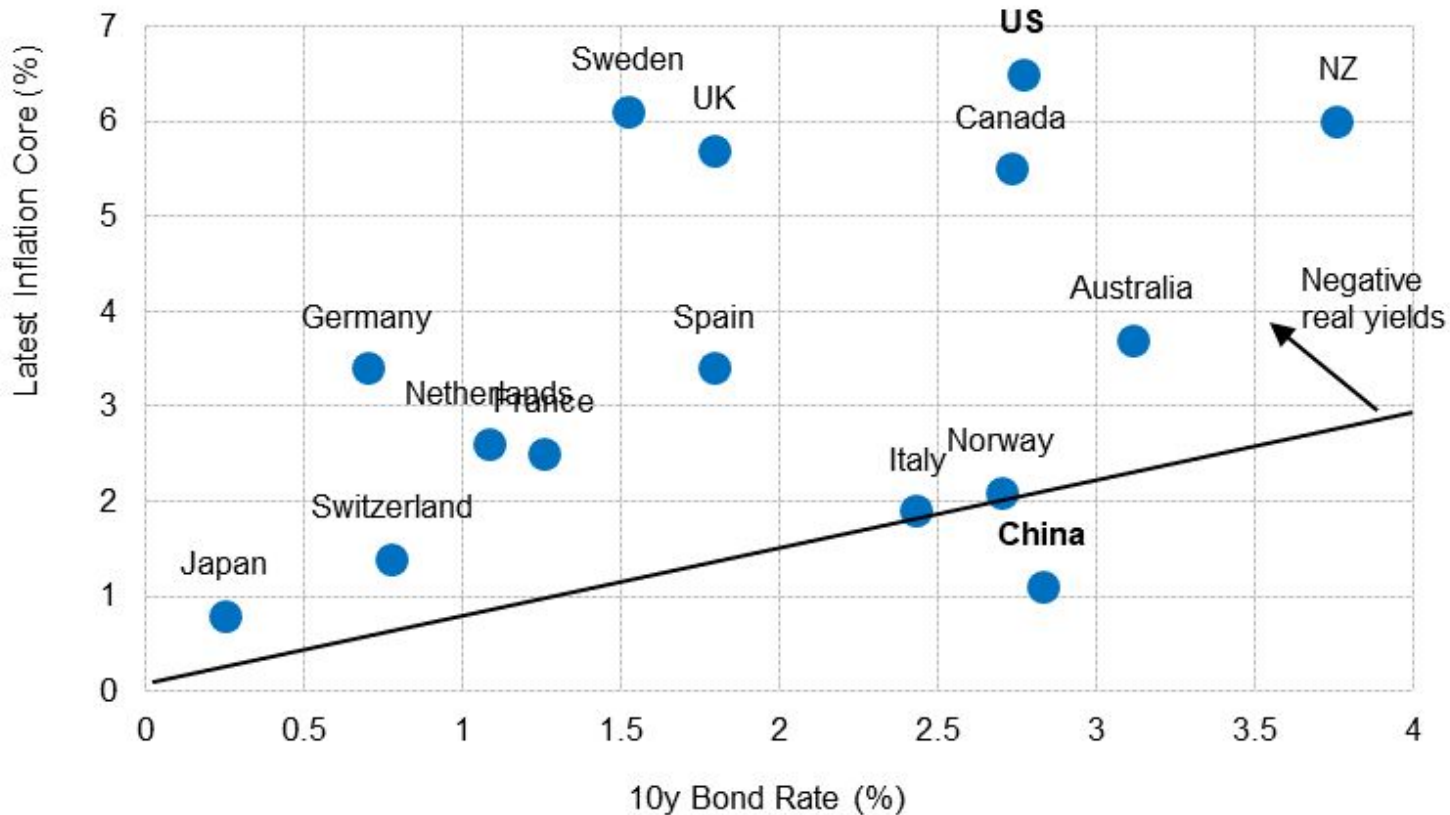


Source: S&P Capital IQ, Nucleus Wealth

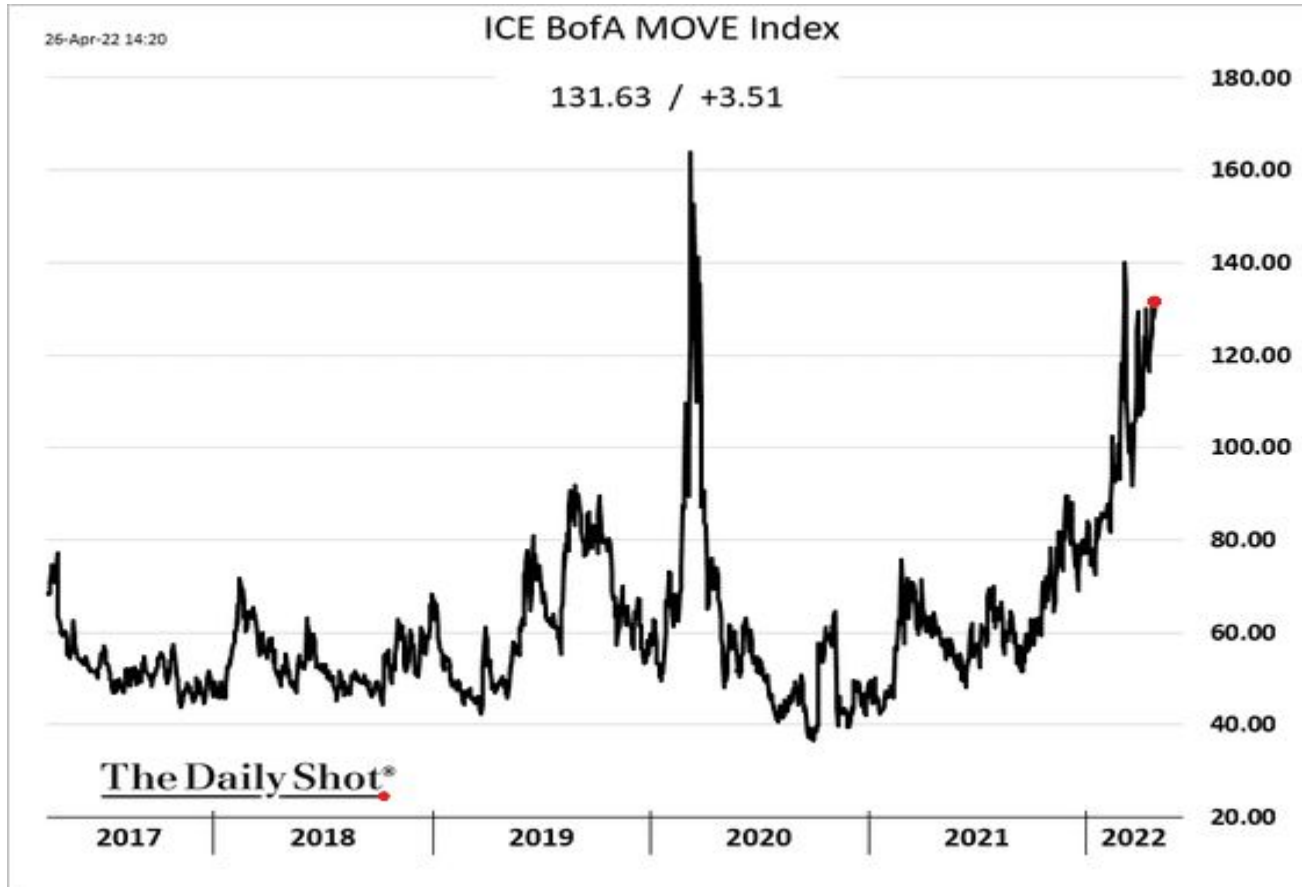
Global Risk Return



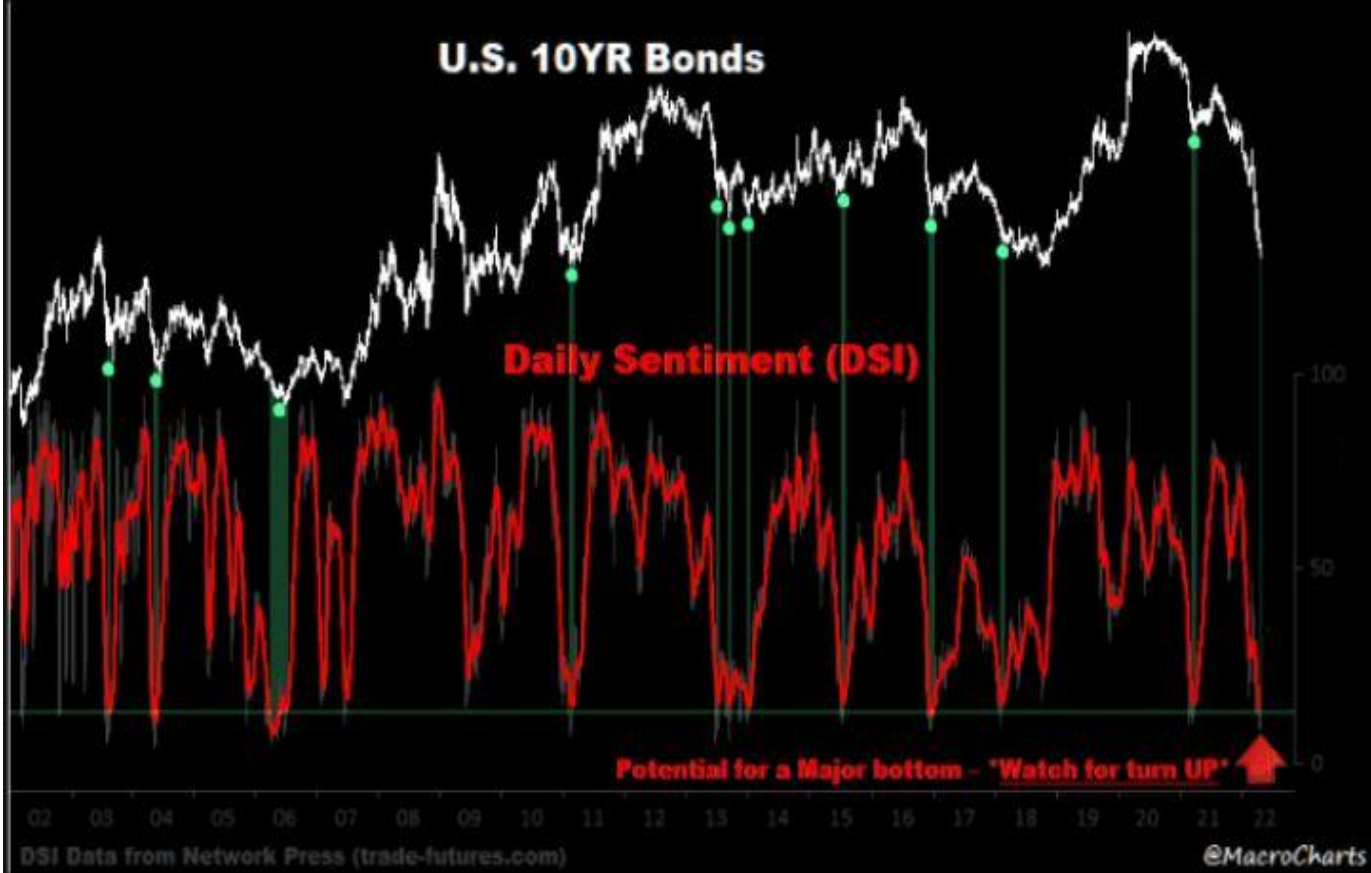
Global Real Rates



Volatility High

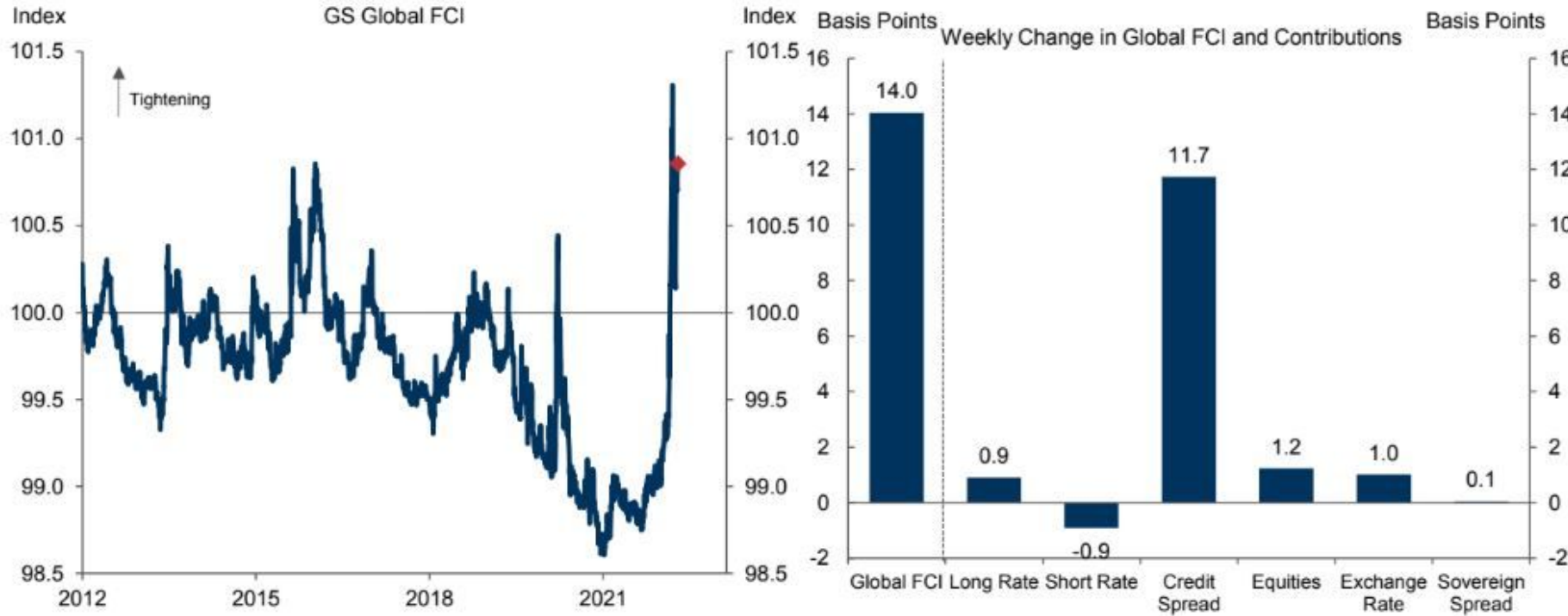


Sentiment Extreme



Financial Conditions

Exhibit 7: GS Global FCI Level (Left) and Weekly Change With Contributions (Right)



Commodity Prices

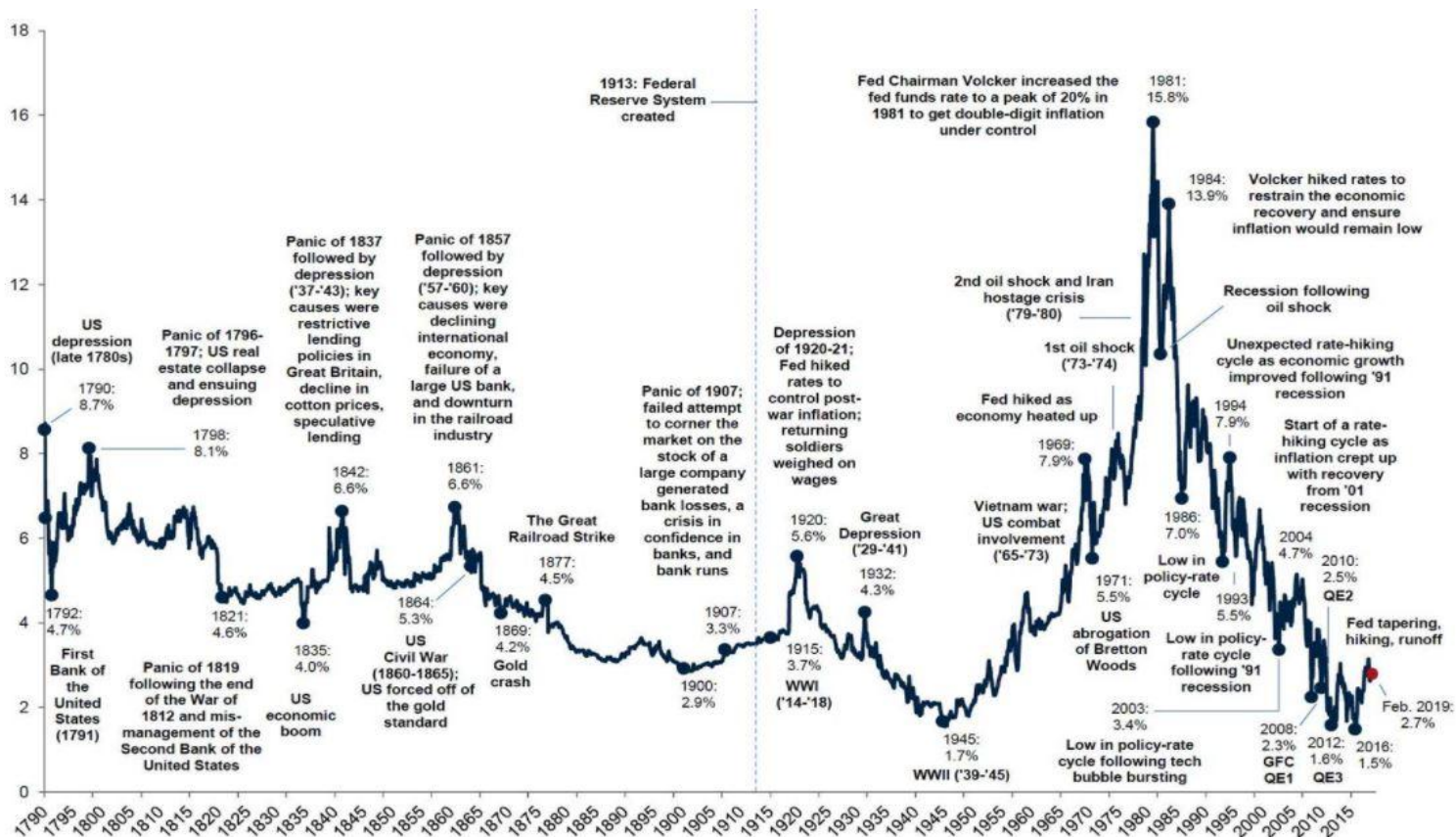
S&P GSCI (Index Points) 3807.18 +113.307 (+3.07%)



S&P GSCI (Index Points) 3807.18



The Spanish Flu analogy



Source: Global Financial Data, Inc., Federal Reserve Board, Haver Analytics, Goldman Sachs Global Investment Research.

The Spanish Flu analogy

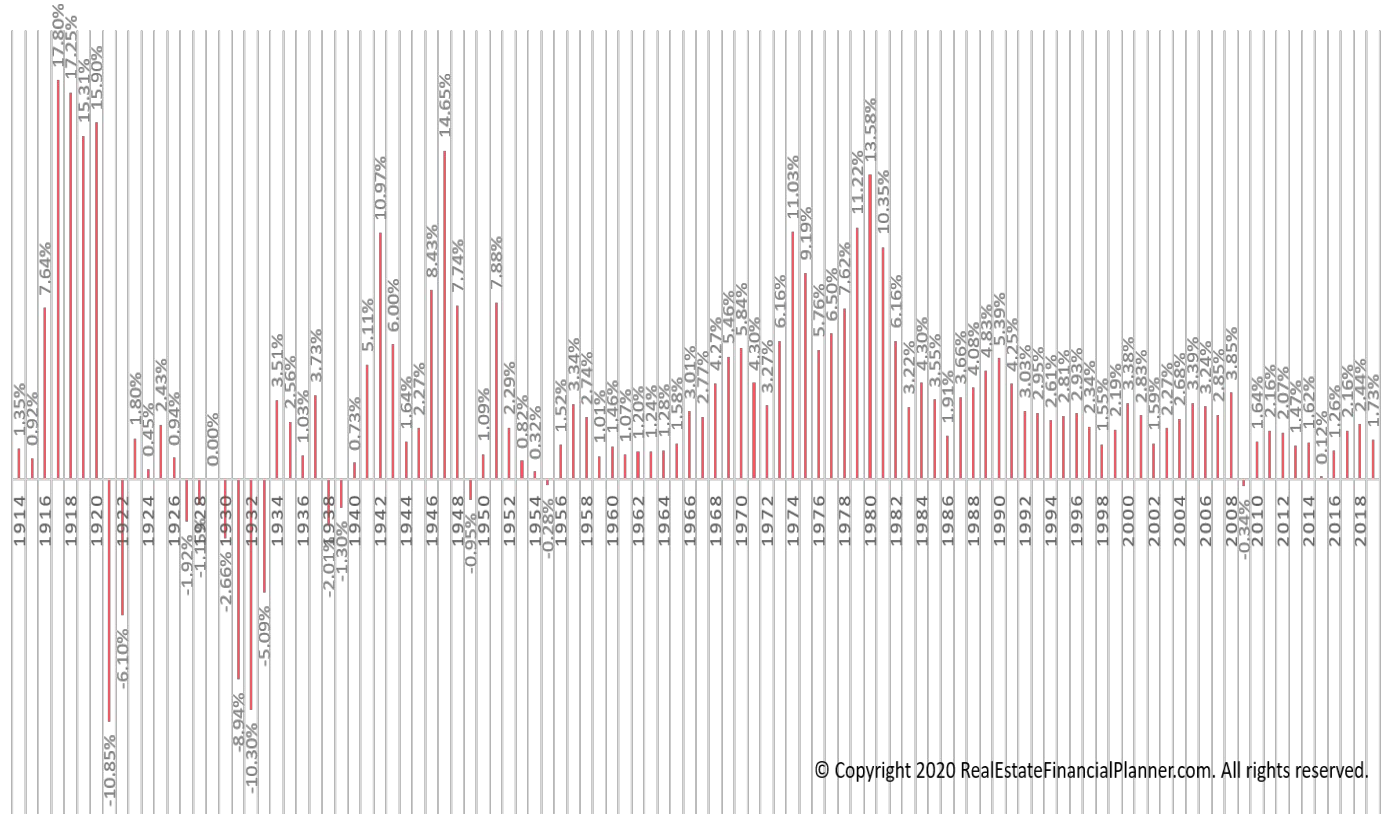
WW1 and Spanish flu pandemic disrupted heavily globalised supply chains

Inflation surged

Fed hiked rates into supply side shock

Depression of 1920-21 followed

ANNUAL AVERAGE US INFLATION 1914-2019



Viewer question of the week:

Is it time for a contrarian bond investment?

Drop your answers in the comments

Agenda: Implications for markets

- Inverted yield curve signalling recession
- Stocks very expensive given declining earnings prospects
- Inflation has lowered level of Fed “put” and needs a commodities bust
- DXY bull market to make it worse. AUD to keep falling
- Further capitulation of stocks
- Australian long-end to roll as RBA and Fed hike

More from Nucleus Wealth:

Content: [Nucleuswealth.com/content](https://nucleuswealth.com/content)

**Have a guest or topic suggestion for the show?
Leave a comment on YouTube**

Find us on all major (and minor) podcast platforms:




Social media:

 Facebook.com/nucleuswealth

 Linkedin.com/company/nucleuswealth

 Instagram.com/nucleus_wealth

 Twitter.com/nucleuswealth