

NEWTON

Investment
Management

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AND NOW FOR SOMETHING COMPLETELY DIFFERENT

PIA Seminar, 25 November 2020

Paul Brain

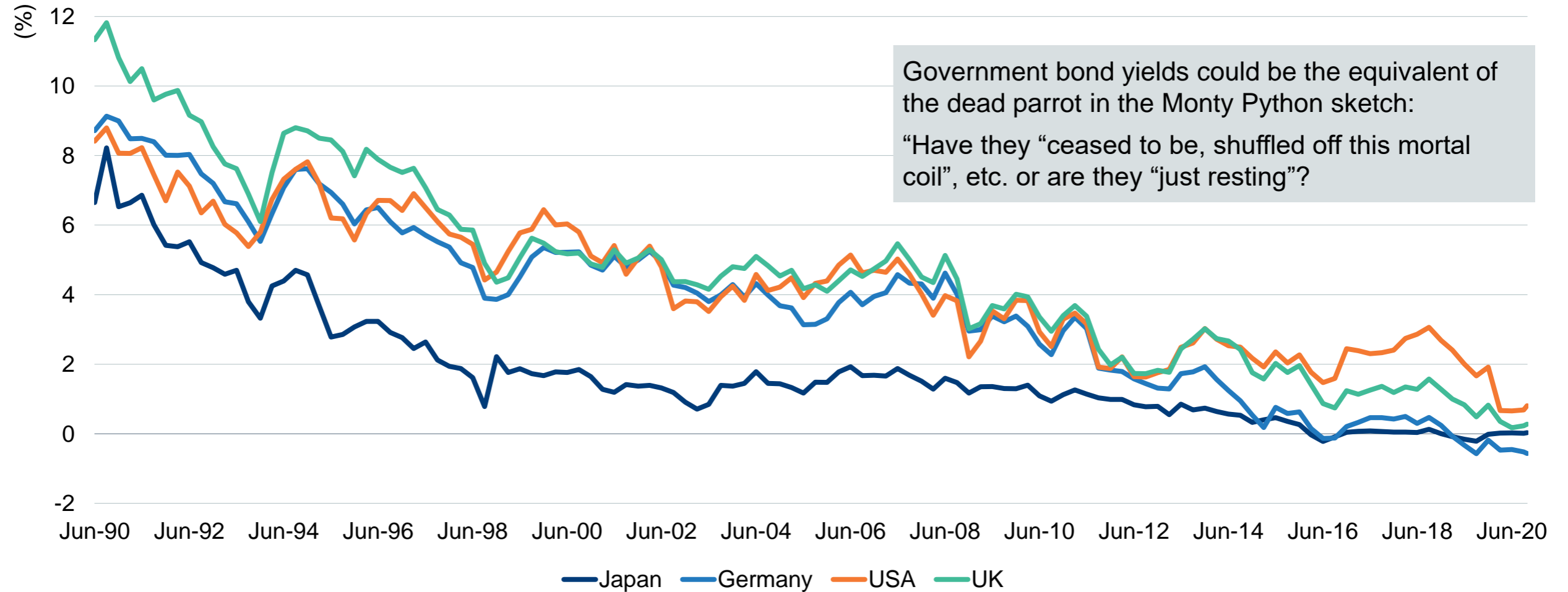
FOR PROFESSIONAL INVESTORS ONLY

Please read the important information at the back of this material

PRE000961

Paltry safe haven bond yields

10 year Government bond yields



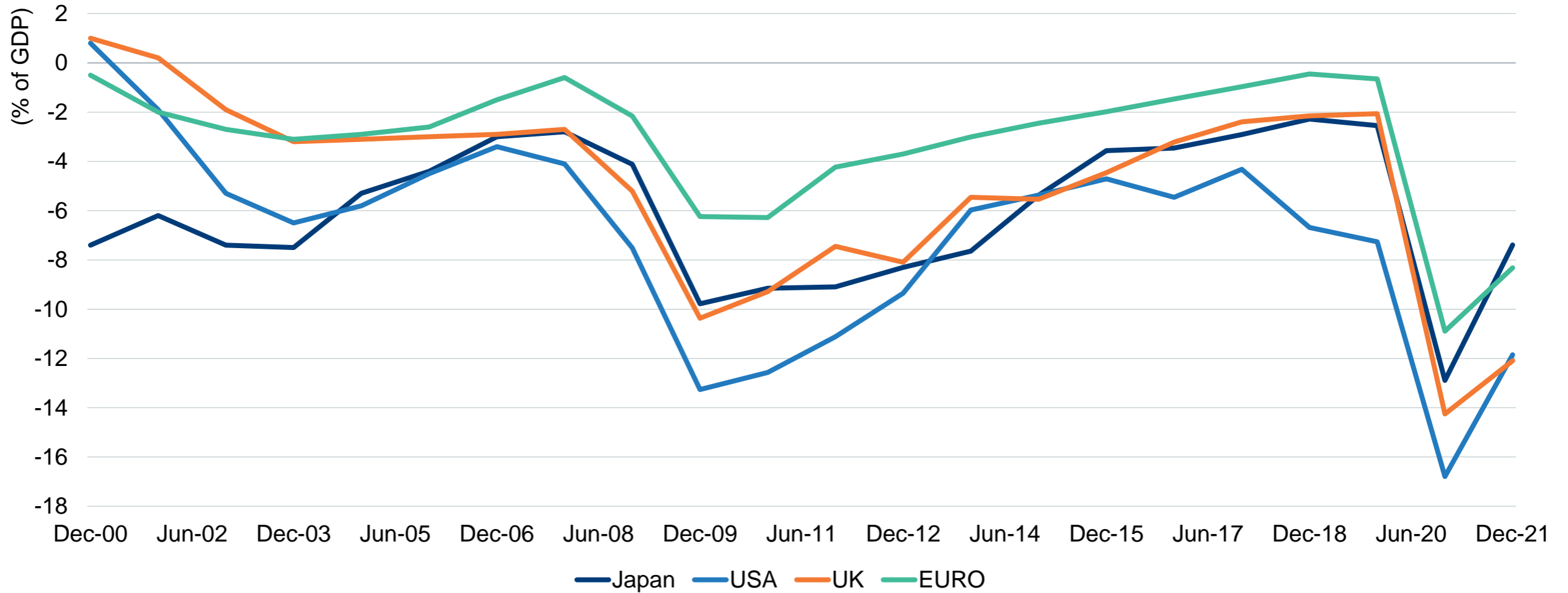
Source: Bloomberg, 26 October 2020.

US\$15tn of negative yielding debt

Record amounts of government debt to work through

Supply on the rise

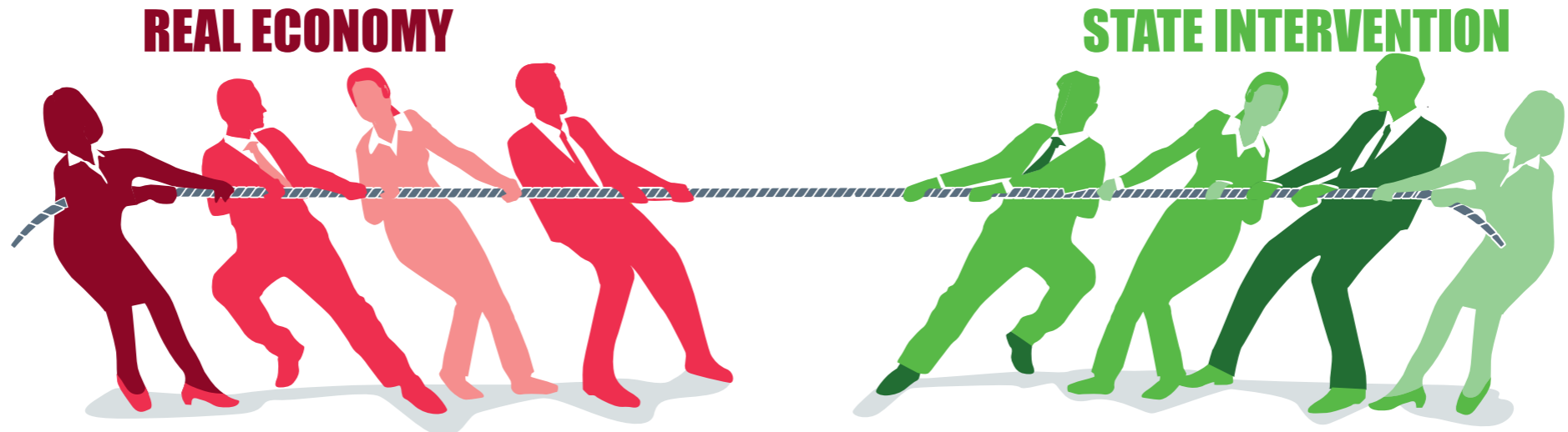
Budget deficits



Source: OECD, October 2020.

Yield curves may have to stay manipulated for a while

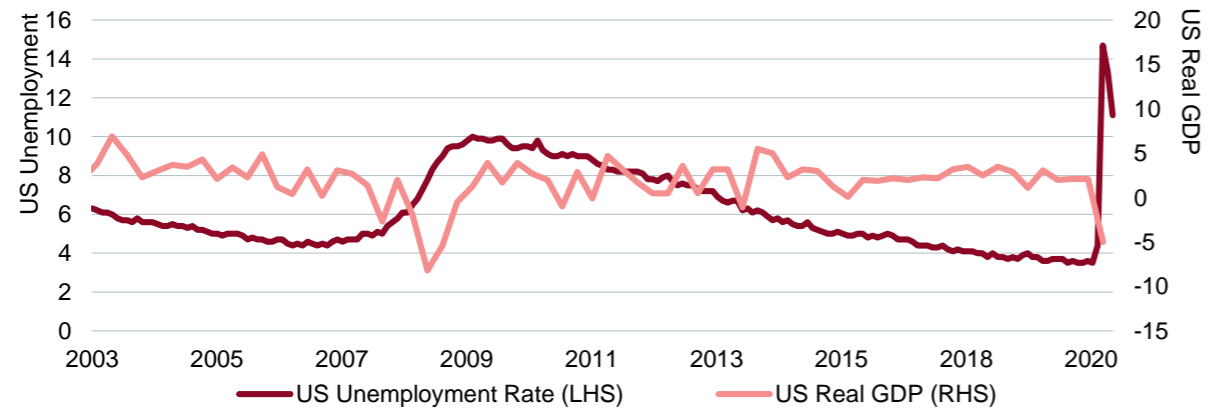
An economic tug of war



L shaped, W shaped, V shaped recovery?

ECONOMIC REALITY

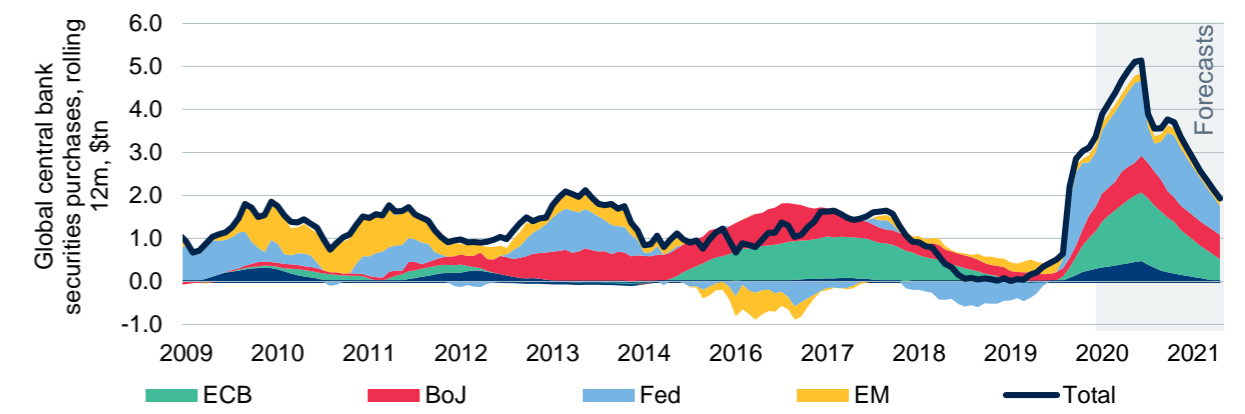
US Unemployment and Real GDP Growth



Source: Bloomberg, 30 June 2020.

THE RISING WAVE OF LIQUIDITY

Central bank asset purchases (\$trn, 12m rolling)



Source: National central banks, Citi Research, FTSE, 31 August 2020.



Unparalleled times

Is there a need to re-think bond allocation?

Possibility of a regime change



AND

NOW

for

something

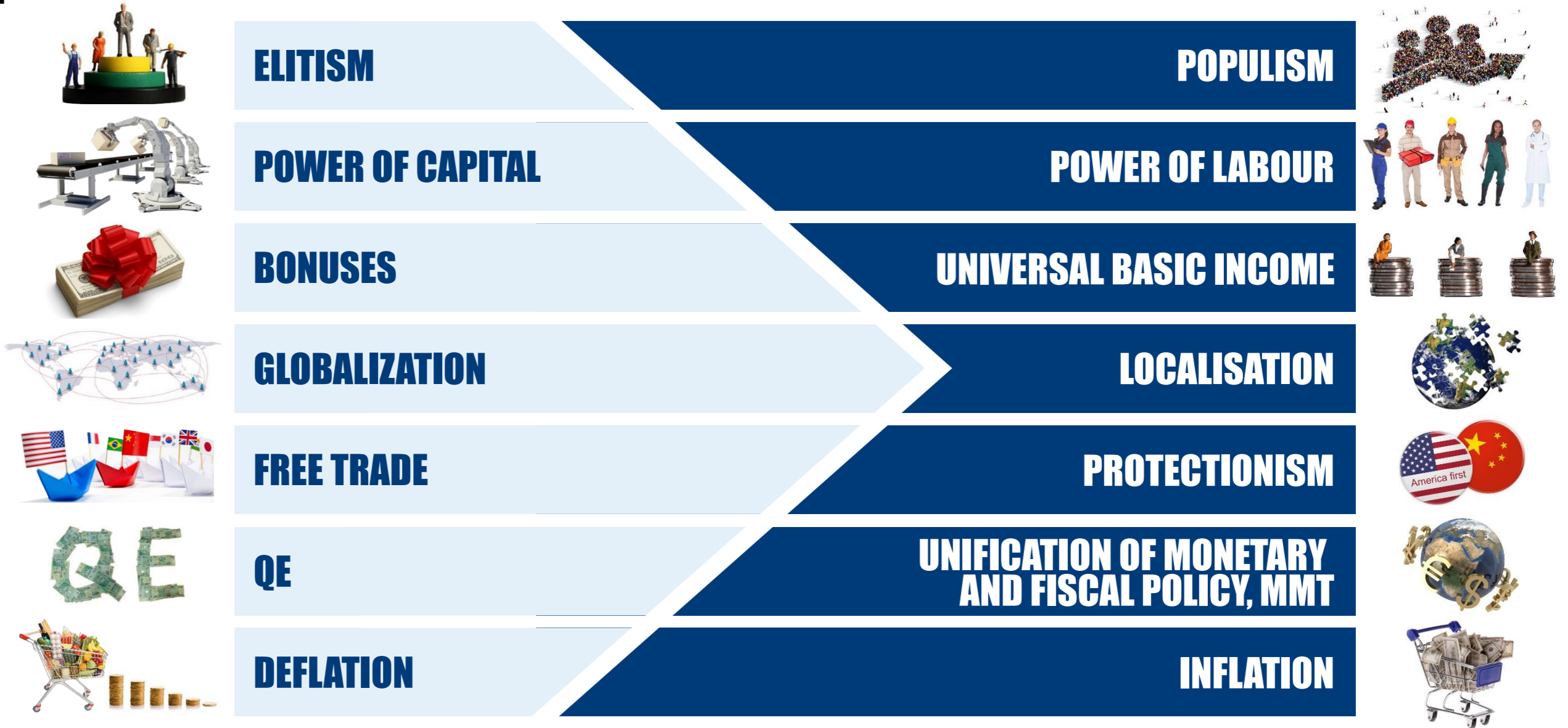
COMPLETELY

DIFFERENT

THE 3 CATALYSTS FOR THIS ARE:

- The paltry level of safe haven bond yields
- The potential of inflation expectations to rise
- The growing use of ESG in investment criteria

A fast-evolving backdrop



Source: BAML/Newton, 2020.

A dynamic approach required



As a bond investor we have always been influenced by good or bad **Governance**



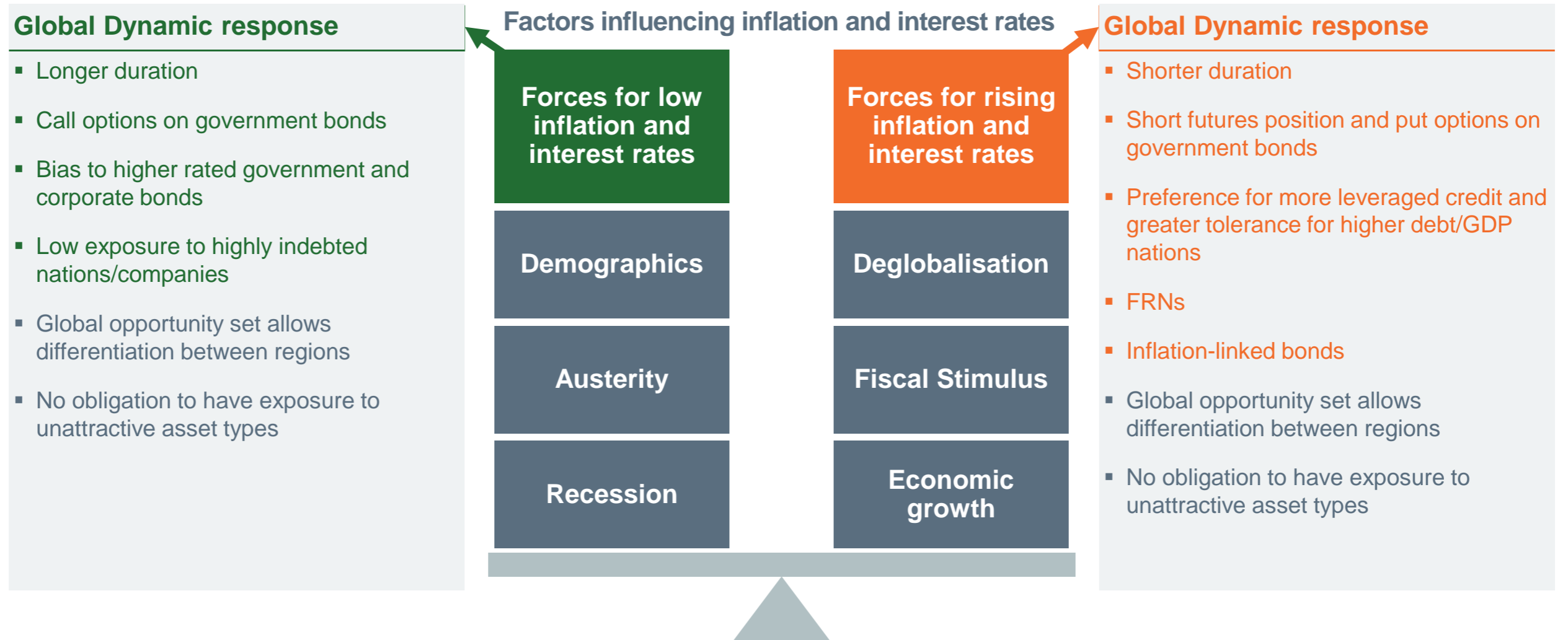
For the last 2-3 years the **Environment** and climate change has been an increasing influence on investment decision making

And now



The joint health and economic crisis resulting from Covid-19 has catapulted **social** bond issuance this year. The EU SURE bond issuance may as much as triple the outstanding Euro social bonds. This will likely encourage further social bond issues from other issuers, in the same way that sovereign green bond issuance has helped encourage domestic companies to travel down the green bond route.

A dynamic global bond strategy in different regimes



Source: Newton, 2020.

Able to adapt to changes in the environment



Important information

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