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PORTFOLIO ADVISORY INSIGHTS

Why you should add some duration to your portfolio now.

With US 10-year Treasury yields selling off to above 4.75%, longer maturities are looking interesting again.

Inflation is falling and that will cap longer-dated government bond yields. But not yet. Recessions typically arrive 6-15 months after the last rate hike.

US and Australian equities have rallied through 2023. But this is a narrow rally. Tech stocks have driven the rally. Ex-tech, the market looks somewhat less appealing.

Longer-dated Treasury and Australian government bond yields have also had a round trip from around 4.00%, down to around 3.25%, and back up again.

Central banks are now at the end-game. Hikes will soon give way to a pause and then cuts. 10-year yields around 4.00% are again offering an attractive combination of yield and downside protection with significant capital gains if (or when) central banks begin to cut rates.

We are near the end of this economic cycle. And when the cycle ends, investors who have not prepared will find themselves rushing for the exit with every other investor.
Prudence suggests investors should begin preparing now by reducing equity beta and adding government bonds, including longer-dated maturities, to build resilience and downside protection.

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Isaac is the Global Chief Investment Officer and Portfolio Manager for Oreana Financial Services. With experience across investment strategy, portfolio and risk management, research and central banking in Asia, the UK and Australia, he leads the team in monitoring economic and market outlooks.