We meet again, Mr. Bond

TAM Europe Asset Management explains.

'We meet again, Mr. Bond', is a phrase from one of the UK's greatest franchises, James Bond, which immortalised in encounters with Bond villains the likes of Auris Goldfinger and Ernst Blofeld. As much as I would love to write a note about James Bond and the truckload of speculation about the next casting for this UK franchise, I will instead look at the nuance in the phrase.

From buying into the bond market rally after its historic selloff, which in 2022 was one of the worst on record. This has of course failed to materalise in any sort of rally because the economy has been so unbelievably strong, leaving investors sat on the sidelines nursing losses that led to the slightly embarrassing catchphrase for bond holders in 2023, 'long and wrong!'.

Now, those of you sat in short dated bond funds or cash funds, the likes of which are in our Liquidity Plus portfolio, I doff my cap to you, as this will likely have been the best bond investment you will have made this year. Pour yourself a martini (shaken, not stirred) and read on.

We have, in recent weeks, reached a level of pain in the US Treasury market which has been at its most acute in 2023. To illustrate, 10-year US Treasury bonds have reached a 5% yield which is somewhat of a watershed moment for 10-year bonds because 5% is a level that almost no investor thought it would reach.

The last time bonds hit a 5% yield was 16 years ago in the summer of 2007, and we all know what happened to the economy shortly after in 2008... so this 5% level has some a little concerned, hence the 'We meet again, Mr. Bond' reference.

So, why have bonds performed so badly this year, and will they roar back to life as some, including TAM, hope they will?

- The market is very worried that inflation isn't going to get back to 2% without either, a) interest rates going even higher, or b) current rates staying where they are but remaining here for a lot longer than previously thought. These have been the headline worries which have kept the bond market strapped to a table with a big laser in between its legs, à la 'Goldfinger'.

- Big economies are now trying to undo the "quantitative easing" experiment that was enacted after 2008 in which governments printed money to stimulate the economy. Cutting a long story short – that money is now due to be paid back and it is being paid back via governments selling massive quantities of bonds back into the market, which is essentially increasing the supply of bonds into a market where demand is quite weak.

So why are some investors, like TAM, remaining in bonds given all the failed starts this year? Firstly, we are buying the bonds of high-quality companies which we think are showing fantastic long-term value, some say a generational opportunity. Rolls Royce bonds are always seen as a safe investment for bond investors and these bonds are trading at roughly a 50% discount. So yes, we are worried about the market's condition, but if the market gives you the opportunity to own high-quality bonds at very attractive yields / prices and sit on these for a long time with a positive yield, we think that's a great store of value for clients.

The second piece is this 5% yield on US government bonds. Yes, that's a painful number for a US Treasury bond which is just about the safest investment one can make. However, as mentioned previously, the last time we hit 5% was 2007, before the 2008 financial crash. Yes, the 2023 economy is not back at 2008, but with the US Treasury yield back at 5%, this does put a heck of a lot of stress on all manner of economic plumbing in the US, and when the plumbing broke in 2008, the same US Treasury bond rallied 30%.

So, forgive me for sounding like a Bond villain with all this talk of 2008, we don't think we are going back there, but with US Treasuries back at historic lows and there being a roughly 50% chance of a recession in the next 12 months, we almost see it as our duty to buy that 5% yield on US Treasuries as an insurance policy in case the worst should happen. Yes, we did invest at that point and yes, we are already making our clients money from that investment.

Most of you will know that TAM has, and always will be, a manager who values cautious investing, and these types of investments will continually form a core element of our defensive capabilities on behalf of our clients' wealth.

So, until we meet again, Mr. Bond.

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Back to the future!

With the wise words of Winston.....

The thoughts of Paul Budgen from Atlas Life.

It is more than 70 years since Winston Churchill wrote his life insurance speech "If I had my way, I would write the word 'insure' upon the door of every cottage….' and his words ring just as true today as they did then.

In today's fast-paced world, it is essential for individuals, families, and businesses worldwide to receive proper holistic financial planning that transcends borders, protects assets and provides peace of mind against life's uncertainties.

International Term Life Insurance is often overlooked by advisers in the planning process, but it remains a vital tool in generating instant wealth for loved ones in the event of premature passing. Clients may have well-balanced investment portfolios, residential properties worldwide and income from various sources, but how quickly can an estate be settled once a client is gone?

The cornerstone of financial planning

We all know what term insurance is; it is life insurance to cover a specified term, typically 10 to 30 years, sometimes more. The policy offers a lump sum payment, known as the death benefit, to beneficiaries if the insured person passes away during the policy term.

This is extremely relevant for family estates to cover outstanding debts or tax liabilities or for companies through shareholder protection. The appeal of life insurance is universal, and the advantages of international term insurance become significantly pronounced when tailored to the unique needs of global clients and their independent financial advisers. No prudent person or business should be without life insurance.

Benefits for global clients and advisers

Sourcing coverage from an international life insurance company ensures that clients receive worldwide coverage, often unavailable from local providers. Whether a client is resident in Spain, Dubai, Hong Kong, or Sydney, they can be protected, no matter where life takes them.

Currency flexibility for global clients is also essential as they often have assets and financial obligations in multiple currencies. International life companies can offer term insurance in various currencies, allowing clients to hedge against currency risk and ensuring their beneficiaries receive the intended benefits in their preferred currency.

International life insurers are often located in low-tax territories and structured to ensure that benefits can be paid out with minimal tax liabilities, making term insurance an attractive option for those with cross-border financial interests.

Working with international term insurance providers extends the product offering of advisers. It allows them to provide their clients access to international insurance markets that might not ordinarily be available.

All international term life providers adhere to rigorous regulatory standards, ensuring that advisers can confidently recommend their products and services to clients while maintaining their own strict compliance protocols.

It is really all about wealth preservation

International term insurance may not be the most glamorous side of financial planning, however, it remains a powerful tool for advisers who have global clients who want to enhance their wealth preservation objectives, reduce overall portfolio risk, and provide ongoing peace of mind for their loved ones.

Just take Winston's word for it….'If I had my way, I would write the word 'insure' upon the door of every cottage and upon the blotting book of every public man because I am convinced, for sacrifices so small, families and estates can be protected against catastrophes which would otherwise smash them up forever'.

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