Bonds Look 'Dangerous' at 300-Year High, Charteris Says

By Anchalee Worrachate Jan 7, 2015 5:43 PM GMT **0 Comments** **Email** **Print**

The 40-year **bull market** in fixed income will end soon, with interest rates set to rise and lower **oil prices** boosting growth, according to Ian Williams, Chief Executive Officer at Charteris Treasury Portfolio Managers.

"Bonds are a highly-dangerous asset class which carry heavy asymmetric risk versus any likely reward," Williams said in an e-mailed statement. "Buying any asset at 300-year highs carries huge risk," he said, referring to U.K. government bond yields that he said are the lowest since at least 1703. Charteris manages about 100 million pounds ($151 million).

Williams, 62, is less pessimistic on floating-rate notes, and gold. Charteris introduced a fund that he said will focus on securities whose payments rise when **interest rates** go higher. He said gold and silver will be among the best-performing assets leading up to their 40-year cycle peak in 2020.

"The expectation is that this fund will be in the 1 percent that does not lose capital when the bear market in bonds begins," Williams said about the New Strategic Bond Fund. "If our 40-year cycle analysis is correct, that bear market is not very far away."

In the euro region, government debt as proportion to gross domestic product is rising, making bonds from countries such as Italy and France unattractive as their yields at current levels are not high enough to compensate for the risk that they might not be able to repay bondholders, Williams said.

Italian and French yields dropped to records this week on speculation the **European Central Bank** will soon buy **government bonds** to support growth and fend off deflation risk. The rate on five-year Italian notes fell to 0.781 percent on Jan. 2 while the French 10-year dropped to 0.718 percent yesterday.

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