

## **UK Gilts are an outstanding buy**

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The low coupon Ultra long dated Gilt 0.5% 2061 has lost 75% of its value in the last 10 months. This is the biggest bear market in decades possibly for a century. When I forecast at our investment seminar in July 2021 that Gilts were going to collapse in value and the yields would rise from the ridiculous level of 0.5% to the 4%-5% area even I did not expect it to happen in such a short space of time.

Well that has occurred so what happens now? In my opinion the UK Gilt market now offers exceptionally good value relative to both UK equities and foreign bonds e.g. Italy which is a true fiscal basket case where Italian BTPs now yield less than UK Gilts.

We are heading into a recession in the west and bonds that yield more than equities (especially consumer facing equities) should be favoured. In 40 years of trading GILTS I have never seen the market this oversold. Bear markets usually end on a capitulation sell off and this one (long dated GILTS down 35% in the last 5 trading days) is the mother of all capitulations.

There is an unfilled gap on the charts from 4 days ago (gaps invariably always get filled) which requires a 25% gain in the price just to fill a gap established within the last week.

Also contrary to the view of a lot of commentators there is little correlation between Sterling & Gilts - global bonds rise and fall in unison whereas currencies go up and down against each other.

A much better correlation exists between bonds and commodities (inverse) and these commodities led by Oil are falling sharply - under this scenario expect all bonds to rally and with Gilts to rally sharply.

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### **Important Information**

The views expressed in this document represents the views of the author at the time of preparation and should not be interpreted as investment advice

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