Increased drama in the fixed income market. Crash or popcorn?

Where is the maximum pain for the central banks now that interest rates are rising? Like a Tesla stock, the 10-year US government bond yield can continue to rise before finally breaking down. This 10-year interest rate is cared for by the world´s most powerful organization, the US Federal Reserve. Our starting point is that if interest rates rise so fast that they challenge the rise of the stock market, the Fed will trade them down, simply by buying bonds massively.

We know from previous financial crises that the potential domino effects are incalculable. The market has historically had no major problems dealing with rising interest rates if it takes place in an orderly manner and in step with development on the stock market. But this kind of rapid rise in interest rates creates great concern. This is since there are plenty of wounded whales that can die and float to the surface and affect other financial players. This can trigger a difficult-to-control chain reaction.

Find out more in our weekly letter on certificates.vontobel.com: Read the weekly newsletter here.

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Carlsquare is a Pan-European research firm and financial advisor, focusing on M&A, Equity Research and Growth Equity. Carlsquare has 70+ employees with deep sector knowledge in all 11 GICS sectors. The senior equity research team have an extensive experience about the stock environment and several business sectors. The team produces company research reports, independent valuations and trading notes. The group have offices in Berlin, Copenhagen, Hamburg, London, Munich and Stockholm. Read more

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As a globally operating financial expert with Swiss roots, Vontobel specializes in wealth management, active asset management and investment solutions. Digital Investing bundles different investment solutions for private investors either directly or via ecosystems. Read more

Attachments

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