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# Flash Note: 04/07/2019


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## Why do EM fixed income assets rise so much? Why do I think they will continue to do so?

**Why do EM fixed income assets rise so much?**

- The emerging bonds are outperforming because financial repression in Europe and Japan (through deep NIRP) expel rentier investors from these regions and push them towards foreign debt markets, with EM bonds benefiting the most.
- Take a look, for example, at the transactions observed in the last two weeks by Japanese savers (owners of capital): International transactions of Japanese investors (for the week ended 29-Jun):
    - Net buyers of ¥514.3B in foreign long-term debt (last week were also net buyers of ¥497.8B in foreign long-term debt).
    - Net buyers of ¥115.6B in foreign equities (last week were also net buyers of ¥253.3B in foreign equities).

**Why do I think they will continue to do so? (and EM bonds rally can be extended)**

- Global asset managers are making inroads into the retail market in Japan and this represent a springboard to channel Japanese savings outward: Let me explain this. Global asset management companies have been operating during years in Japan managing assets for pension funds and institutional investors, but they are now launching publicly traded mutual funds to make inroads into the retail market in Japan. These foreign mutual funds are focused on stocks and debt around the world, and they are targeting some of the USD16trn of financial assets held by Japanese household, who are increasingly demanding assets outside the country. What can I say? USD16trn is an impressive sum of liquidity.
- Knowing the nature of this capital, I have a slight idea of what assets and markets this capital is going to be directed to.

The old mantra of "buy everything, and do it quickly"? Maybe, but I prefer to discriminate and focus on what offers more value.

Best