

Letter

Letter: Bond market speculators have a déjà vu moment

From Alan Rohrbach, President, Rohr International, Chicago, IL, US

DECEMBER 8 2023

Kudos to Katie Martin on her article “Recession and bond bounce tips bring a sense of déjà vu” ([The Long View](#), FT Weekend, November 25).

Market history is rife with people who had the right idea, yet got a bit too far out over the tips of their skis. As one manager she cited indicated, “We were a bit early.”

In addition to the observations on why the bond revival might only be deferred into 2024, there is a broader bit of déjà vu in motion: comparisons being made to the summer of 2007. In the narrow view, at that time US Treasury bond prices also found a temporary new low (ie returned to higher yields) just as they were about to turn up for a more major rally.

Once they recovered back above their late-2006 high, they were on their way for an extended rally, exacerbated by the 2008 credit and housing bust.

In the broader view, current T-bill trading has had more weakness below its October 2022 low than seen in 2007. Yet it is recovering above that level. Any further recovery would speak of a potential bottom into a more extensive rally. This falls under the classic market axiom: “Markets don’t often repeat, but they rhyme.”

If anything, the current macroeconomic situation is more amenable to a bond rally despite concerns about the US debt level and potential debt rating downgrades. Back in 2007, US gross domestic product, consumer credit and other factors were still very strong. The bond market bottom was based on prescient anticipation of how bad the “bust” would be once it arrived. At present, GDP growth is waning, and US consumer credit is topping out just as the labour market is softening.

The view back into last year is useful, and keep in mind lower rates are not dependent on a still unaccommodative Federal Reserve. That is actually always a function of inflation psychology. As such “the view from 30,000 feet” is that the bond market anticipation for 2024 seems similar to the 2007 anticipation of weaker conditions to come. As pre-eminent malapropist Yogi Berra once quipped, “It’s déjà vu all over again.”

Alan Rohrbach

*President, Rohr International,
Chicago, IL, US*

[Copyright](#) The Financial Times Limited 2024. All rights reserved.
