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Dr. Sebastian Wanke

Senior Analyst

sebastian.wanke@sentix.de



sentix GmbH

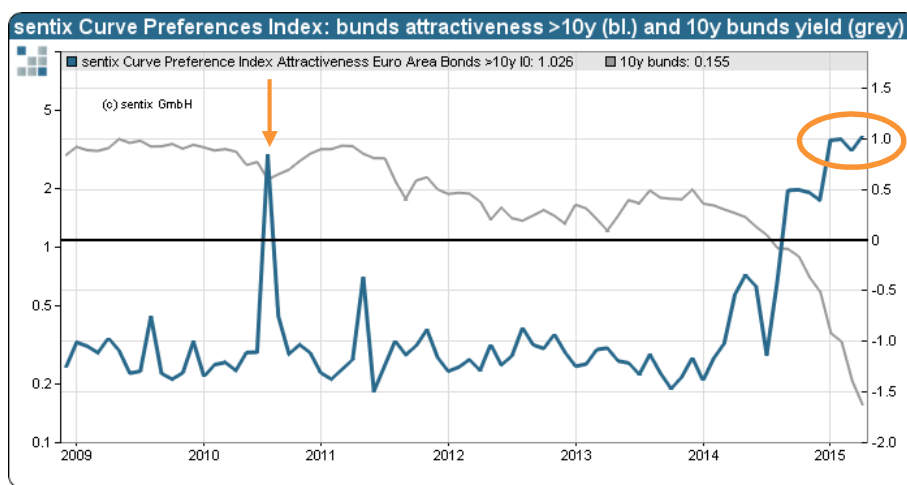
Wiesenhüttenstraße 17, 60329 Frankfurt am Main

Tel. +49 (69) 3487 961-0, info@sentix.de

Bond investors forced into ultra-long maturities

As yields approach the zero line for 10-year bunds investors are looking for ever longer maturities. This is the bottom-line from last weekend's sentix survey on investors' duration preferences. Their bias for German government bonds with a maturity of more than ten years is currently as strong as never before.

How investors currently glorify the German bond market is best described by this week's sentix Curve Preference Indices: investors' preferences for bonds with maturities between 10 and 30 years, for instance, climb to a record high. **Only once, in mid-2010, they stood at a similar level. Then, this was the beginning of clear increase in yields (see graph).**



As now even 10-year bunds do barely yield more than zero, investors look more and more for ultra-long maturities. These bonds are still more attractive but their yields are on historic lows, too.

The fatal aspect of this development is that investors purchase these securities without any conviction. There is plenty of evidence in our sentix-data universe which is pointing to that: economic and inflation expectations rise, for example. This usually leads to a steepening of the yield curve which is negative (!) for bonds at the long end. Also, we can observe a falling strategic bias for German government bonds. **But if investors – knowing that these assets are overvalued – continue to hold or even increase their positions, then there is currently a latent crash danger “working its way” through the bond market.**



Background

The unique indicator family of the sentix Curve Preference Index comprises time series about investors' expectations regarding the developments of different yield-curve segments of German government bonds. They are primarily an additional tool for the better understanding of investors' perceived bond market dynamics. Furthermore, they can be used as directional indicators for the German bond market. The indices are surveyed on a monthly basis, around the fourth Friday of each month, since 2006 and published on the following Monday morning.

The current survey was conducted from April 23rd to April 25th, 2015. 1023 individual and institutional investors participated.

About sentix

sentix is the pioneer and leading provider of sentiment analyses (behavioral finance) in Europe. Since 2001 sentix surveys on a weekly basis around 5,000 investors from over 20 countries (comprising over 1,000 institutional and almost 4,000 individual investors) about their expectations for financial markets as well as for economic developments and their portfolio actions. The sentix survey results are representative of a broadly diversified group of investors.

sentix surveys offer the rare combination of a large number of participants, high quality and an outstanding speed with which information is gathered and passed on. All sentix indices are regularly accessible for sentix data clients just about one day after the close of each poll – via the sentix website or via Bloomberg. sentix clients thus are able to use sentix data almost in real time in order to further improve performance.

sentix GmbH was founded in 2001 and today represents the basis for all the services the sentix group offers to its clients in the field of Behavioral Finance.



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