

NOMURA

THE SCOOP

JUNE 2021-NOMURA GLOBAL DYNAMIC BOND FUND



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So it seems that we have largely avoided the damage of higher treasury curves. And yes, we have spoken repeatedly about the need for a measure of caution with assets priced as richly as they are, and are quite content to have a large degree of liquidity on the Fund, combined with positions that can deliver attractive returns over the second half of the year (long-dated EM, short call co-cos, short dated HY).

Returning to June in isolation, duration strategy was a major contributor to returns over the month. Duration at the end of May was roughly 1.5, but that dropped closer to 0.6 as we added further hedging, selling US-2 year and 5-year futures, taking US duration significantly negative. The front end moved up only a few basis points, but this was sufficient for the position to contribute significantly.

When the month end numbers are finalised and checked by our data teams, you'll see a duration closer to 1.1. The reason for the increase was a close-to-month end decision to sell down some of our liquidity position in short-dated US Treasuries in favour of 30 year Treasuries, as a partial defence against the possibility of increased restrictions to prevent the spread of Covid 19 Delta Variant. During June the strategy continued to sell down some of the longer-dated high yield exposures, leaving shorterdated positions in place, alongside co-cos dominated by short call issues that we fully expect to be called in the next couple of years.

