# As Negative–Yielding Bonds Set New Records, Flexible Investing May Offer Benefits

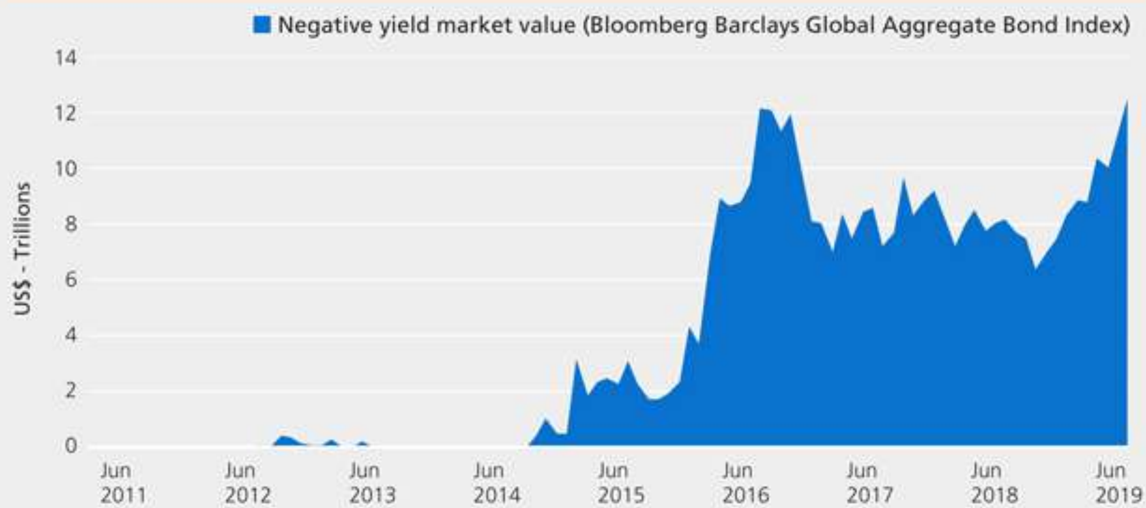
Negative yields on bonds are back with a vengeance. The five-year German government bond yield reached an all-time low of −0.69% after European Central Bank (ECB) President Mario Draghi delivered a dovish speech on 18 June, indicating that the ECB could provide additional stimulus if economic downside risks increase and the current inflation outlook remains subdued. This triggered a fall in bond yields globally, with a record of more than US$12 trillion of bonds trading at negative interest rates as of 19 June (see chart). Negative yields mean investors have to pay (rather than being paid) for owning these bonds.

A more flexible investment approach may offer value

Allocations to more flexible strategies are one option investors could consider to address the challenges of negative yields. ***Well-designed flexible bond strategies can help navigate even the most challenging markets by identifying attractive investments from a global opportunity set while seeking to ensure investors receive appropriate compensation for the risk.*** In the context of negative-yielding assets, this also means steering clear of markets where risks may outweigh future return potential. Compared with traditional benchmark-oriented strategies, which are anchored to an index, the flexibility of a dynamic strategy may allow for a more ***patient approach*** and the maintenance of dry powder to deploy during periods of future market volatility and dislocations.

For investors facing the challenges of a low-yield environment, dynamic strategies with attractive risk-adjusted return profiles, flexibility, and low correlations to core bonds and equities may offer a compelling complement to core bond allocations.

## AMOUNT OF GLOBAL BONDS TRADING AT NEGATIVE YIELDS REACHES NEW HIGH




Source: Bloomberg data, PIMCO calculations as of 19 June 2019. Chart includes all securities in the Bloomberg Barclays Global Aggregate Bond Index.

PIMCO