

BANKING/ FINANCE

Short Is Hot in Credit Markets as Hedge Against Inflation



ADOBE STOCK

Some funds are actively cutting so-called duration, a measure of sensitivity to interest rates, to limit the fallout if central banks keep hiking to tackle inflation.

by Tasos Vossos

Money managers are fortifying portfolios and hedging the risk of a prolonged inflation fight by sticking to credit maturing in just a few years.

Some funds are actively cutting so-called duration, a measure of sensitivity to interest rates, to limit the fallout if central banks keep hiking to tackle inflation. Others are simply focusing on short-dated notes as the additional yield they get from longer securities is too small to justify the risk of a slump when rates rise.

This reflects a broader trend of increasing caution among buyers of investment-grade corporate bonds, who are seeing profits from earlier this year slip away. After galloping to a record total return in January, global high-grade bonds have shed almost four-fifths of their 2023 gains this month to just 1.1%, according to Bloomberg indexes.

"It is a naive person who thinks we do straight line positive returns," said Richard Hodges, who manages Nomura's global dynamic bond fund and has reduced the rate sensitivity of his portfolio. His portfolio's duration is less than a third of the U.S. benchmark's average and even less for euro-investment grade, which means he risks a much smaller price drop when yields rise.

"It is called tactical management," said Hodges. "I look upon this as an opportunity," he said, expecting yields to end the year lower.

Fund moves like this have come amid a shift in trader expectations that central banks may not yet have neared the end of their tightening cycle. Solid economic health checks in the U.S. and Europe in recent days have fanned fears that policymakers will be able to keep raising rates without risking a steep recession.

Long-dated bonds will be more vulnerable to price drops, but typically tend to offer higher yields than short notes, luring investors with the promise of higher income. However, this argument

in their favor has weakened further this year: short bonds' yields have jumped relative to their longer peers, allowing bondholders to earn lofty yields without swallowing the risk of bigger price swings.

A high-grade corporate bond in the U.S. with a maturity of 10 years pays about 20 basis points more than a two-year issue, down from almost 40 basis points at the start of the year. In the euro market, this gap has shrunk to 24 basis points from almost 60 basis points.

"We're sitting probably at the lower end of duration, at around two years and about five years in hybrids, as there is a nice yield available and we're not getting paid to extend it," said Peter Doherty, head of fixed income at Sanlam Investments U.K. Ltd.

While rising government yields have squeezed corporate bond returns, credit spreads remain near their lowest levels in almost a year following a rally since mid-October. Even they could be at risk if yields keep rising.

Last week, strategists at JPMorgan Chase & Co. led by Matthew Bailey wondered how much higher rates need to go for credit funds to switch from hunting for value to seeing outflows and selling that would cause spreads to widen. "In our view, we are already approaching that threshold," they wrote in a note to clients.

To be sure, bondholders can still rely on some of the highest yields since the global financial crisis to cushion some of the mark-to-market losses. But given the shrinking yield gap between short and long bonds, they will want to focus on the less volatile segments.

"If you are on the shorter end, you are almost certain to generate positive total and excess return on a one-year horizon," said Fabrizio Viola, fixed income portfolio manager at Generali Investments Partners. "We're staying in the one to five-year part of the curve now and are waiting for better entry opportunities in the long end."

Tasos Vossos reports for Bloomberg News.



CITY OF DORAL NOTICE OF ZONING WORKSHOP

All residents, property owners and other interested parties are hereby notified of a **Zoning Workshop** on **Thursday, March 9, 2023 at 6:00 p.m.** The Meeting will take place at the City of Doral, Government Center, 1st Floor Multipurpose Room located at 8401 NW 53rd Terrace, Doral, Florida, 33166.

The following application will be presented:

HEARING NO.: 23-03-DOR-02

APPLICANT: Boing US Holdco, Inc. (the "Applicant")

PROJECT NAME: Take 5 Car Wash

PROPERTY OWNER: Lapciuc Group, Inc.

LOCATION: 1350 NW 87 Avenue, Doral, Florida 33172

FOLIO NUMBER: Portion of 35-3033-001-0170

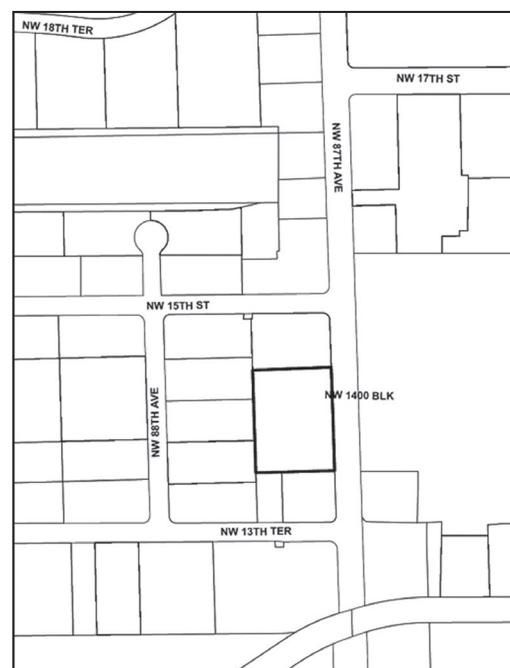
SIZE OF PROPERTY: ±0.91 acres

FUTURE LAND USE MAP DESIGNATION: Industrial

ZONING DESIGNATION: Industrial Commercial District (IC)

REQUEST: The Applicant is proposing a Take 5 Car Wash consisting of a 4,224 square foot automated car wash facility with supporting vacuum spaces.

Location Map



ZONING WORKSHOP PROCESS: The zoning workshop consists of two sessions:

1. **First Session.** The first session of a zoning workshop shall provide a forum for members of the public to learn about proposed developments within the city. Developments may be presented to the public simultaneously, in several locations within the meeting site. During this session, members of the public are encouraged to ask questions and to provide feedback to the applicant about the proposed development. The applicant shall provide visual depictions, such as renderings, drawings, pictures, and the location of the proposed development. In addition, representatives of the applicant shall be available to answer questions that members of the public may have about the proposed development. The members of the City Council shall not be present during the first session of the zoning workshop.

2. **Second Session.** The second session of a zoning workshop shall provide a forum for the City Council to learn about the proposed developments discussed at the first session of the zoning workshop. No quorum requirement shall apply. Developments shall be presented by the applicants sequentially, one at a time, for the City Council's review and comment. The applicant shall again present visual depictions of the proposed development. In addition, the applicant shall be available to answer any questions that members of the City Council may have about the proposed development.

No quorum requirement shall apply nor will any vote on any project be taken, but roll call will be taken, as it is a publicly noticed meeting.

Information relating to this request is on file and may be examined in the City of Doral, Planning and Zoning Department located at **8401 NW 53rd Terrace, Doral, FL 33166**. Maps and other data pertaining to these applications are available for public inspection during normal business hours in City Hall. Inquiries regarding the item may be directed to the Planning and Zoning Department at 305-59-DORAL.

In accordance with the Americans with Disabilities Act, all persons who are disabled and who need special accommodations to participate in this meeting because of that disability should contact the Planning and Zoning Department at 305-59-DORAL no later than three (3) business days prior to the proceeding.

NOTE: If you are not able to communicate, or are not comfortable expressing yourself, in the English language, it is your responsibility to bring with you an English-speaking interpreter when conducting business at the City of Doral during the zoning application process up to, and including, appearance at a hearing. This person may be a friend, relative or someone else. A minor cannot serve as a valid interpreter. The City of Doral DOES NOT provide translation services during the zoning application process or during any quasi-judicial proceeding.

NOTA: Si usted no está en capacidad de comunicarse, o no se siente cómodo al expresarse en inglés, es de su responsabilidad traer un intérprete del idioma inglés cuando trate asuntos públicos o de negocios con la Ciudad de Doral durante el proceso de solicitudes de zonificación, incluyendo su comparecencia a una audiencia. Esta persona puede ser un amigo, familiar o alguien que le haga la traducción durante su comparecencia a la audiencia. Un menor de edad no puede ser intérprete. La Ciudad de Doral NO suministra servicio de traducción durante ningún procedimiento o durante el proceso de solicitudes de zonificación.

Connie Diaz, MMC
City Clerk
City of Doral