

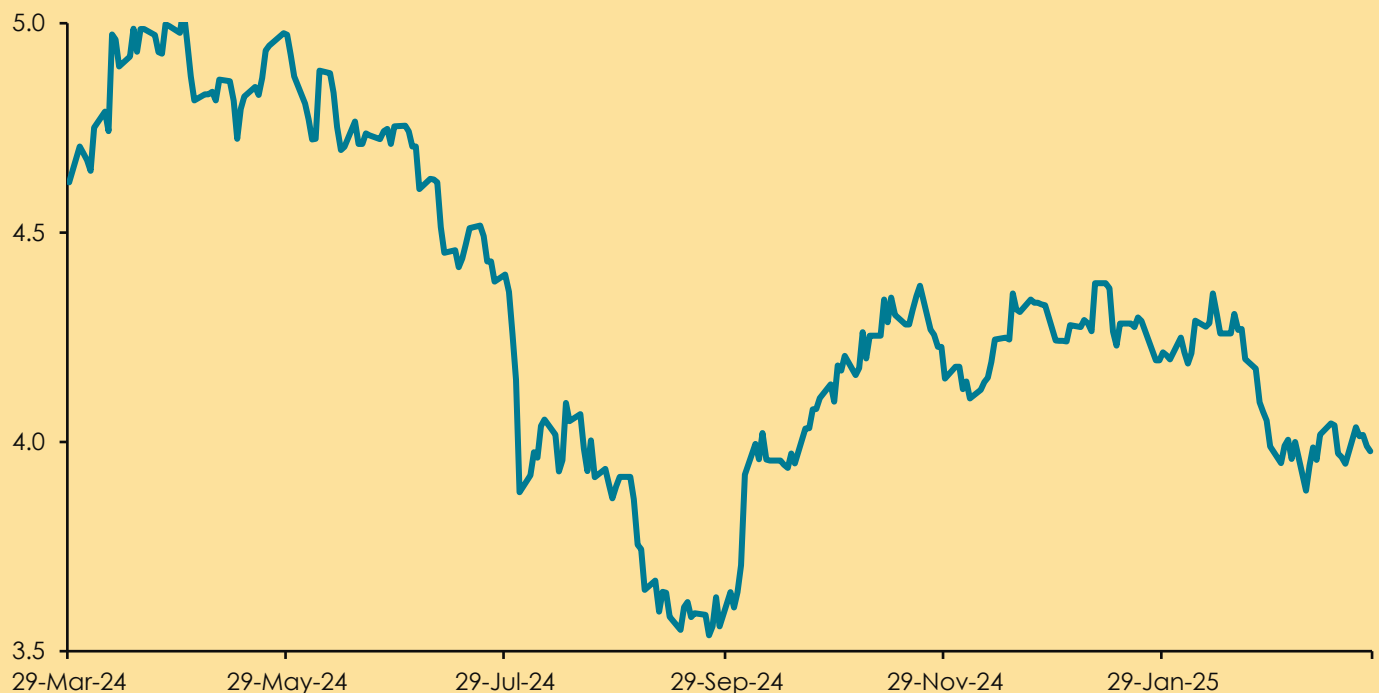
A good curator selects only the best

2 April 2025

Image in Focus: The effect of Trump 2.0 on local and global rates

Trump 2.0 has influenced many aspects of the global investment landscape, which has filtered down to current interest rates and future interest rate decisions, creating new dynamics in the market. This week, Momentum Fixed Income, the investment manager of the **Curate Momentum Enhanced Yield Fund**, showcases how the team continues to find opportunities in this changing landscape to enhance yields within the fund.

US two-year treasury bond yields



Source: Momentum Fixed Income, Bloomberg at 28 March 2025

Summary of chart

Following President Donald Trump's 2024 election victory, the US two-year treasury yields rose from 3.50% to 4.37%. This raised investors' expectations that the Federal Reserve (Fed) will increase short-term interest rates because of upward inflationary pressures during this period. Similarly, the South African bond market also showed a lot of volatility, driven overall by global risk sentiment. The South African Reserve Bank (SARB) has had to carefully balance the effect of these external pressures and local drivers before interest rates are further reduced.

How does this link to the positioning of the Curate Momentum Enhanced Yield Fund ?

Based on what was happening in the US, short-dated bond prices were also rising in South Africa and, therefore, the yields investors would earn were increasing. This created an opportunity to convert longer-dated South African fixed-rate government bond instruments, using derivatives, to floating-rate instruments, thereby allowing the fund to participate in the increasing yields. This trade gave us a better deal, with rates 1% higher than similar government floating-rate bonds.

Key takeaways from the chart

- ✓ Trump's inflationary influence on markets suggests that the US may implement tighter monetary policy, possibly including interest rate hikes
- ✓ Contrary to previous expectations, global interest rates may not be decreased further
- ✓ The elevated two-year yields made short-duration bonds attractive to investors seeking competitive returns with less volatility to changing yields
- ✓ As a result, the Momentum Fixed Income team identified a more effective way to improve the income potential of the portfolio without significantly increasing the risk

Curate Momentum Enhanced Yield

Managed by Momentum Fixed Income



Momentum Fixed Income is a boutique team of specialist income investors, focused on delivering low-risk, inflation-outperforming returns for investors. This team enjoys the backing of one of South Africa's largest financial services institutions but retains the flexibility and focus of a small, specialist fund manager.

Fund overview

This low-risk fund is designed to give investors a slightly higher return than they can earn from a bank deposit or a money market fund. It is ideal for short-term savings or as part of an income-generating portfolio.

News and insights

Click [here](#) to read how Momentum Fixed Income takes a disciplined, research-driven approach to navigating changing market conditions. By focusing on risk management, understanding macroeconomic trends and making strategic asset allocation decisions to optimise returns for investors.

For more information, visit our website [here](#). Click [here](#) for our income fund yields.

Kind regards
The Curate Team

Disclosure

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