Title: **INVESTING IN A WORLD OF NEGATIVE RATES**
Speaker: **Vineer Bhansali, Managing Director, PIMCO**

Importance: Why this matters:

Negative *nominal* bond yields are a conundrum of classical finance. Yet, in several developed markets, a significant proportion of the sovereign bonds are currently trading at negative nominal yields. This presentation argues that they are not anomalies, offers several explanations of negative yields, and discusses how bonds with negative yields might behave.

Investigation: "Speaker analyzed XXX data to address the questions yyy, zzz, etc."

Bhansali documented the existence and persistence of negative nominal interest rates for sovereign debt in several developed markets. In addition deposit rates in Switzerland are -75bps. He then went on to provide evidence to support each of the potential justifications for the negative rates.

Innovation: Are there new techniques of interest in the data or approach to the problem?

In addition to explaining why negative nominal interest rate exist and can persist, Bhansali developed an asset allocation framework where investors should sell insurance (earn a risk premium) when carry is working, and purchase insurance when the trend is negative. He simulated a model that was long markets when both carry and trend were positive, and was short markets when both carry and trend were negative.

Insights: 1-2-3, what are the three most important things the speaker offered?

1. Explanations for negative yields:
   - Technical: Buying by sovereigns.
     Other investors face constraints or have preferred habitats.
   - Economic: Demographics – disproportionate buying by older investors.
     Disaster/deflation insurance premium.

2. Under rare disasters, each asset can be viewed as an insurance asset (return of your money) or an investment asset (return on your money). Portfolio construction is less about risk adjusted returns, and more about the appropriate mix of sales and purchases of disaster insurance.

Audience rating: 3.84