



Can US Treasuries still be considered a safe-haven asset?

by Bronwyn Blood

Off to a rocky start

Looking back to the start of 2025, there was some comfort that we were entering a year where things seemed more stable on the local political front, considering that the GNU was firmly in place. Internationally, there were rumblings about Donald Trump and the policies he might enact, but it was broadly believed that nothing would be done to disrupt the stock market, and certainly no policy announcements that would disrupt the US bond market and real economy.

Three months later, and here we are experiencing the worst market turmoil since the Covid-19 crisis because of unprecedented and broad-based import tariffs announced (but not yet fully implemented) by Trump.

How has this affected US Treasuries?

US Treasuries have long been a safe haven for investors the world over, offering security in times of market stress and uncertainty. But now, amid Trump's policy announcements and the possible end of globalisation as we know it, can US Treasuries truly be seen as a risk-free asset?

When the stock market sells off, investors in the US and many other countries typically find some safety in Treasuries, which are guaranteed by the US government. But something shifted in this recent equity market sell-off: bond yields began to rise, which is the opposite of the usual trend we see when investors seek shelter from volatility. When Treasury

yields climb, so too do interest rates on many other consumer products that directly affect the real economy, including auto loans, credit cards and mortgages.

The rise in US Treasury yields set off alarm bells throughout the financial sector, with competing explanations about the cause of the unusual trend. The about-turn in Trump's reciprocal tariff policy (the three-month implementation delay) is said to have resulted mainly because bond yields were starting to climb, with many reporting Trump to be far more worried about the bond market than the stock market. After all, a selloff in US Treasuries is a worrying signal of real distress or potential recession.

Damage has been done

The situation continues to change, as Trump has reversed reciprocal tariffs on some US trading partners and has implemented a 90-day pause on others. Still, the reputational damage has been done. Trump's constant flip-flopping and the uncertainty around his policies are spooking investors around the globe. They are starting to look elsewhere for safe havens, eyeing European and Asian markets like Germany and Japan, which have stronger balance sheets. Alternatives like gold are also increasingly appealing.

How has this affected the Granate BCI Multi Income Fund?

The SA bond market has not been immune to the back-and-forth in US trade policy. In addition, we have had other developments to contend with – most significantly, the budget impasse between the ANC and the DA. Furthermore, SA bonds are certainly not a safe-haven asset. In times like these when there is global uncertainty, SA is a market most foreign bond investors flee from, and we have experienced this weakness.

While the local bond market contends with whether or not the globe is heading into recession, we must think carefully about what it would mean if the US no longer represents the global risk-free rate. For years, the 10-year US Treasury yield has formed the basis of our bond market valuations: when there was weakness in US Treasuries, this would flow through to all emerging market bonds, and vice versa. Now, we must picture a world where this might not be the case. What does that world look like, and how do we begin to assess value in local bonds? Or maybe it's not time to give up on US bonds completely? Relatively speaking, the US still offers



more stability and security than other countries, and US investments remain attractive as there is no real alternative to match them (at least not yet). This is something we will continue to grapple with over the near future, as the situation hopefully becomes clearer. For now, the question remains.

Granate is a people business.

We are committed to creating a rich and rewarding culture through our shared values. Granate is configured thoughtfully and intentionally so that our team can thrive for the benefit of our clients. We care about the same things you do and are *relentlessly* committed to protect and grow your savings.

Granate Asset Management (Pty) Ltd ('Granate') is an authorised Category II financial services provider in terms of the Financial Advisory and Intermediary Services Act No. 37 of 2002 ('FAIS Act'), with FSP number 46189. The information contained in this brochure should not be construed as advice as defined in the FAIS Act, neither does it constitute an investment recommendation. Investors should take cognisance of the fact that there are risks involved when buying, selling or investing in any financial product. The value of financial products can increase as well as decrease over time, depending on the value of the underlying securities and market conditions. Past returns may not be indicative of future returns and an investor should seek independent professional financial, legal and tax advice relevant to their individual circumstances before making any investment decision.