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**TOM MACKENZIE, BLOOMBERG:**

Okay, let's stay with the market story then. And of course, officials at the Bank of England, the Fed and the ECB all say the decision to cut rates hinges on positive inflation data. We are set to get a lot of that data this week with UK labor market figures out later today and a slew of appearances from Federal Reserve policy makers this week and US CPI revisions. What will the news, what will the data tell us about the state of the global economy and the outlook for investors? Let's bring in Geraldine Sundström now, Portfolio Manager, PIMCO. Geraldine, good morning. You join us, of course, after that blowout, jobs print out of the US, 353,000 jobs added to the labor market in the US and unemployment rate of 3.7%. And then the Fed chair, Jerome Powell, just reiterating that March seems to be off the cards for the US Federal Reserve when it comes to thinking about rate cuts. Where does this leave your view on the US and the Fed if they start later, do they have to do more?

**GERALDINE SUNDSTROM, PIMCO:**

The Fed would probably go later. We were always of the view that it would be around the middle of the year and that seems to be jelling and the base case looking forward. It's not clear that they have to cut more if they start later. Economic data seems to be reaccelerating. We're seeing forward looking indicators in the ISM, like new orders being fairly strong. We're seeing the customer still being resilient and those GDP figures in the US, even when we look at the narrowcasting from the Atlanta Fed, looking very perky for the first quarter. So that's not necessarily the case. Probably 3 to 4 is more what it looks like.

**CAROLINE HEPKER, BLOOMBERG:**

How does that align with what the ECB may be able to do?

**SUNDSTROM:**

We might have the fact that, you know, the ECB could be moving ahead. The economy in Europe is certainly weaker. Chairwoman Lagarde was saying that she was seeing some recovery ahead and would say they're the pointers of probably a little bit more subdued than in the US. So we'll have to see if Europe can indeed reaccelerate. Like it seems to be happening in the US or not, but that's too easy to tell, too early to tell. So we'll have to see, but at the moment, it seems that both are going to move around the middle of the year and maybe the odds would be for the ECB to move ahead of the Fed for once.

**MACKENZIE:**

Geraldine, in terms of sovereign debt, and we're seeing the sell-off continue today, not just in the US, but in the UK and Europe as well. But it is pretty pronounced in the US, particularly given the moves that we saw on Friday with bonds down, prices down, yields up. Currently, the two year you're seeing yields up at nine basis points at 4.45, the 10 year at 4.08 with yields up six to seven basis points. Where do you think we are in this bond sell-off?

**SUNDSTROM:**

We think- So, the front end is needed to readjust, and we are in this process. The question is how much this propagates towards the back end of the curve. We are quite cautious on the long end of the curve. There are some fiscal elements that can increase term premium and steepen the curve. So we've been recommending to stay in the belly of the curve, meaning five to 10 year in that place, where if rate cuts come a little bit a few months here or there later or earlier, it's not the end of the world, and much less impact from long-term supply concern of debt sustainability and the rest of it. So you need to find your spot on the curve and where not to be too affected by these two elements.

**HEPKER:**

So where else do you think you grab yields if this is the moment to grab yield?

**SUNDSTROM:**

Well, there are other areas away from the United States curve. So we think that maybe Australia is a curve that is less demanding in terms of rate cuts that looks pretty attractive to us. Or in the US, you go for extra carry, a little bit more spread, and you go into high quality bonds. In particular, we like agency mortgages. So it's a question of maybe trying to go a little bit down the credit curve, not too much in the US, staying in high quality bonds, getting that spread, improving carry to volatility. And then finding another curve, and I would say Australia is probably one of the favorites at the moment.

**MACKENZIE:**

Okay, really interesting call on Australia there. Geraldine, when you think about some of the ruptures that we saw in at least the regional banks last week because of their linkages to the real estate sector, and part of this, of course, is very much of it, is linked to this high rate interest rate environment. How much of a risk do you see there? Is there any kind of mitigating strategies you can put in place to kind of put a circle around regional banks in the US and the links to real estate?

**SUNDSTROM:**

I mean, general banks is a sector that will have to face two things ahead, so away from the regional ones, we could see a net interest margin being a bit challenged with lower interest rates and potentially more provisioning, as the economy could be slowing down if rates stay too high for too long. In terms of real estate, the issue has been known for a while. There haven't been many impacts so far. We think that certain concentration, like we've seen last week, will be more problematic, but in general, the risk seems to be more spread out and in the larger institution, we think that, you know, the balance sheets are pretty safe.

**HEPKER:**

I want to ask you something about China, because of the moves that we've seen this morning in terms of Chinese stocks, the sell-off has been really relentless and it's kind of come to the fore in terms of markets. And it's also driving government bond yields lower, a lot lower in China. Some even think that there could be a kind of 1% for 10 year Chinese debt. Is that possible? What do you think of the linkages? How concerned are you about the Chinese market and whether it can be talked up or driven up by actions by Beijing?

**SUNDSTROM:**

So, increasingly, the Chinese stock market is a local market. Like a lot of foreigners, we've seen the flow has exited that market. So it really would be about the sentiment of domestic investors and how optimistic they feel or not. Thinking in a more broader context, what we're seeing in China is a lot of oversupply in key industries that are driving down profits. But the rest of the world is benefiting from this oversupply via deflation in certain goods that is bringing down inflation all around the world. So the rest of the world is somehow having the best of both worlds. They're having resilient growth. That's what we're seeing in the US. But benefiting from the deflationary impulse of China. So in some ways, it is building. What’s happening in China and is building the Gordylog story of the United States.

**MACKENZIE:**

Really fascinating take on the linkages between China at the US, the rest of the world, in terms of that deflationary impact. Geraldine Sundström, thank you very much, indeed, Portfolio Manager at PIMCO.