"Navigating the New Fixed-Income Waters: Lessons from the Sea"

I wanted to share a reflection that stems from both my professional experience and personal passion. Those who know me are aware of how much I enjoy the sea and sailing. Over the years, I've discovered that many of the principles we apply offshore—such as foresight, preparation, and adaptability—are surprisingly useful when it comes to financial planning.

And today, as I observe the course of fixed-income markets, I believe it's timely to bring that analogy into the conversation.

For decades, bonds have been the portfolio's "reliable ballast": instruments that provided stability, predictable income, and some protection against equity market volatility. But today, some seasoned navigators are detecting a shift in the current and perhaps even in the winds.

Since 2022, the sharp rise in interest rates has caused a deep adjustment in bond prices. Instruments issued at low rates have lost significant value. Even some institutions—such as banks and funds—have suffered consequences for not adjusting their course in time.

And as if that weren't enough, other crosswinds are joining in:

- Governments are issuing debt at large scale, putting further pressure on the market.
- Investors are beginning to question whether bonds remain a safe haven.
- A high-rate environment that, by lasting longer than expected, delays the recovery or rise in prices of bonds issued in the past at lower rates and whose prices have dropped in this high-rate climate.

In this new climate, continuing to sail with the same chart used over the past 40 years may no longer be enough. It's time to adjust the sails:

- Reevaluate portfolio duration and consider short-term bonds.
- Incorporate inflation-linked or floating-rate instruments.

- Diversify into real assets that offer resilience in turbulent waters.
- Maintain a strong liquidity position to maneuver flexibly when the wind changes.

After so many years helping families and investors navigate different market scenarios, my advice remains the same: it's not about avoiding the storm but about having the right boat and crew to cross it safely—with long-term vision.

Warm regards, and until the next article.

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