With low interest rates persisting across major markets...

**OFFICIAL INTEREST RATES (PERCENT)**

- **Fed Funds Rate Target (1.63)**
- **ECB Deposit Facility Rate (-0.50)**
- **BOJ Overnight Rate (-0.06)**

...falling long-term bond yields and rising populism are emerging in tandem as growth slows and public unease rises...

**FALLING YIELDS AND RISING POPULISM ARE TWO SYMPTOMS OF THE SAME PROBLEM**

- Average G7 10-year bond yield (LHS)
- % share of vote for populist parties (RHS)

...as disquiet builds, will these trends shift Central Bank policy in 2020?


Source: Bloomberg, Timbro Populism Index as at September 30, 2019.
“Global central banks eased policy in 2019 and, in the eurozone and Japan, interest rates are in negative territory. With inflation still elusive and the growth outlook slowing, bond yields are at historically low levels. The average 10-year yield among G7 countries reached a low of close to 0% during 2019, and 10-year yields were negative in Germany, France and Japan at year-end.

This backdrop of stuttering growth has left many people feeling disenfranchised, with perceptions of growing inequality and divisions growing in many societies. Support for populist political parties has grown as long-term yields have declined and increasingly radical proposals are emerging for both monetary and fiscal policy.

Although we believe that most of the major central banks will keep interest rates unchanged in 2020, there is a growing risk that more radical policies move into the mainstream. If growth fails to reaccelerate, some central banks may be forced to look for new ways to stimulate growth. How the debate around this evolves could well be a key driver for global bond markets over the longer term.”

*Gareth Colesmith, Head of Global Rates and Macro Research, Insight Investment*
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