

Buying Treasuries on Stocks Slump? That's a 'Pavlovian' Response

By **Chris Anstey**

1 marzo 2018, 20:52 CET

As the Dow Jones Industrial Average tumbled more than 500 points Thursday, investors bought Treasuries as a haven -- even though the new Federal Reserve chief this week has highlighted the potential for an acceleration in interest-rate hikes.

What could be behind the seemingly illogical move is a "Pavlovian reflex" developed during the three-decade bull run in bonds, according to Anatole Kaletsky, founder and chief economist of Gavekal Research Ltd.

"Loading up on bonds in response to equity sell-offs has worked so consistently for more than 30 years," he wrote last week. "Hardly a single investor alive today has ever made money by consistently shorting bonds."



Even two-year Treasuries were rallying Thursday, just two days after Fed Chairman Jerome Powell said in a congressional hearing that data since December suggesting the economy had strengthened could be a trigger for an acceleration in rate hikes.

Lower bond yields could in turn help support equities, in a sort of "Pavlov put," Kaletsky reasoned. But at some point "the safety net for U.S. equities will break," as inflation sends yields higher, he said.

[Terms of Service](#) [Trademarks](#) [Privacy Policy](#)

©2018 Bloomberg L.P. All Rights Reserved

[Careers](#) [Made in NYC](#) [Advertise](#) [Ad Choices](#) [Website Feedback](#) [Help](#)

