Opinion **The Long View**

Historic sell-off in bonds shows how the investor mood has darkened

Markets are coming to terms with the scale of central bank tightening of monetary policy

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This week has demonstrated, as if it were not already obvious, that declines in asset market valuations are simply not going away. In an extraordinary sweep, central banks from the US to Switzerland embarked on what looked like competitive policy tightening.

Fred Ducrozet at Pictet Wealth Management totted up the numbers and found that 10 central banks delivered a massive combined total of 6 percentage points of rate rises just this week. Several rises, including the latest from the US, were of some 0.75 percentage points, three times the usual scale of rate moves. As Pimco economist Tiffany Wilding put it, “75 is the new 25”.

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Sharmin Mossavar-Rahmani, chief investment officer for wealth management at Goldman Sachs, advises patience. “Stay invested,” she says. A recession in the US is at least partly priced in, she says, and the relentless rise in the dollar will help to tame the Fed’s inflation problem. “When equities have already suffered a significant drawdown prior to the onset of a recession — as is the case today — history suggests investors are better off staying the course,” she says.