OUR TWO CENTS

April
2026

Bonds are always a safe haven... right?

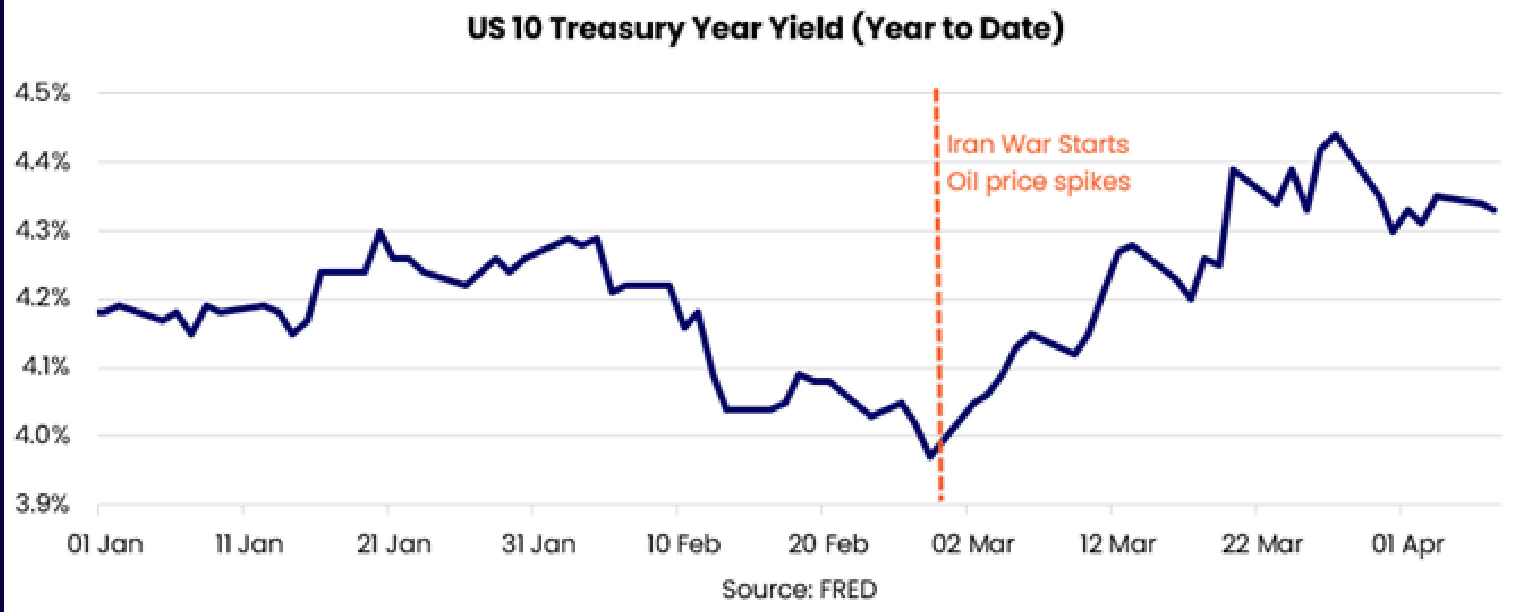
Safe-haven assets are intended to protect investors' capital during periods of market stress. As the name suggests, they should provide a buffer when risk assets—like equities—sell off. An asset qualifies as a safe haven if it does not move in tandem with risky assets during downturns.

However, there is an important nuance: correlations are not static. In times of crisis, correlations across most asset classes tend to rise. Diversifications often fail investors when they need it most. It is critical to assess how assets behave specifically during periods of stress, rather than relying on long-term average correlations, when selecting safe haven assets in a portfolio.

A common principle is that bonds and equities typically exhibit low or negative correlation. Over time, US Treasuries have become a very popular safe-haven asset for several reasons. They are backed by the US government, which is widely perceived to have extremely low default risk. The Treasury market is also one of the deepest and most liquid in the world. Treasuries are denominated in US dollars – the global reserve currency. And lastly, the predictable income from bonds makes the asset class inherently reliable.

At the start of 2026, markets reflected this traditional relationship. A mild risk-off environment, in light of muted growth expectations, saw investors rotate out of US equities and into bonds. As demand for Treasuries increased, prices rose and yields declined. Lower yields were further supported by rising expectations of Federal Reserve rate cuts later this year.

Then Trump dropped a bomb by attacking Iran. From this, oil jumped by 59% and everything else sold off. The usual safe-haven dynamic broke down as equities fell and Treasury yields spiked resulting in lower bond returns. Instead of panicking, we should ask ourselves why Treasuries are selling off. The answer lies in inflation expectations. The longer the war lasts, the more constrained oil supply becomes. If an oil shock persists, the cost of goods and transport rises. This causes an inflationary concern. When inflation expectations rise, bond yields tend to rise too.



So, what does this mean? Should we abandon Treasuries as a safe haven? Absolutely not. This is simply a reminder that we cannot apply historical relationships blindly. The effectiveness of any safe-haven asset depends on the nature of the shock driving the downturn. As investors, the goal is not to rely on fixed rules, but to remain adaptable—continuously reassessing how different assets are likely to behave under evolving macro conditions.

Ansonette Neethling
Investment Analyst
BCom (Hons) Investment Management (SU)

Ansonette's role as an investment analyst at New Road Capital captures her passion for finance and people which aligns with our mission to prioritise the end client's needs. She obtained her BCom Honours degree in Investment Management at Stellenbosch University during which she received the first New Road Capital Academic Excellence Award. She is busy pursuing her CFA charter. Before joining our team, she gained experience as a fixed income analyst. She has a deep appreciation for academic research and is curious about human behaviour and relationships. Outside of work, Ansonette enjoys spending time with her family around the braai, appreciates good food, and is a self-proclaimed wine connoisseur.