A SLIPPERY SLOPE

The bond market has been volatile for nearly a decade. The U.S. was finally on its way to start paying back the debt that it accumulated during the financial crisis, but with the new tax reform it will be increasingly difficult to invest in our debt. As a result, the U.S. will be more reliant on international partners to stave off an economic downturn, or even recession. This fragile state of the bond market puts it at the forefront of Prevedere's threat radar.

RISKY BUSINESS

Two coalescing factors have resulted in the current delicate state of the bond market:

- **Lack of investment - Traditional investors are not investing in the bond market and countries are artificially holding each other up, investing in each other's debt.**

- **Rise of inflation - The new tax reform combined with the weak U.S. dollar and stagnant wage growth could lead to dangerous inflation, and initiate a major shock to the bond market.**

AVERTING A CRISIS

In order to prevent a collapse, all central banks would need to carefully coordinate a withdrawal of investments in the bond market. This would require an unprecedented level of coordination among all major players, including Russia, Japan, China, and others.

HOW TO PREPARE FOR A BOND MARKET BUBBLE BURST

The market is extremely fragile, and any major hit to the bond market would cause an immediate global downturn. Possible causes include: war, trade agreements, a country claiming bankruptcy, or a myriad of other unforeseen scenarios.

For companies attempting to plan against the bond market, it's critical to remember that the U.S. government is not in a position to offer bailouts, and there is no opportunity for stimulus given the recent tax cuts.

Companies must invest wisely to mitigate a potential fallout from a global recession:

- **Invest in core offerings**
- **Not a time for investment in risk**
- **Keep savings**