

WHY GLOBAL BOND MARKETS MATTER FOR YOUR FAMILY'S LONG-TERM FINANCES



POWER
POINT

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When client families sit across the table to review their financial plans, a common question often comes up: why should a bond price in Washington or a policy statement from the Bank of Japan matter to a portfolio in Mumbai? My answer is simple: in a globally interconnected financial system, these two bond markets set the “price of money”. For a high-net-worth Indian family with investments in domestic and international equities, linked to upcoming goals like funding a child's foreign education or annual overseas vacations, and domestic borrowings like a home loan or a loan against securities (LAS), this isn't academic macroeconomic theory. It shows up directly in your net worth statement and monthly cash flows.

US benchmark

The US Treasury market remains a key reference point for global borrowing costs and the valuation of financial assets. For a family with a diversified global equity portfolio, higher US yields typically put pressure on the valuations of growth-oriented

stocks, such as US technology companies that many families hold through US-focused mutual funds/ETFs, or directly as stocks bought via the Liberalised Remittance Scheme (LRS). Furthermore, rising US yields often strengthen the US dollar against the rupee. If you are accumulating a corpus for your child's overseas education or planning significant foreign travel, a depreciating rupee means your expenses increase. Your investment portfolio has to be structured to account for this currency risk.

Japan's ripple

For decades, near-zero Japanese interest rates made the yen a cheap funding source. Global investors borrowed yen cheaply to invest in higher-yielding assets, including Indian equities, better known as the “carry trade”.

As the Bank of Japan normalizes its monetary policy and Japanese bond yields rise, this trade can come under pressure. The repatriation of funds back to Japan can trigger sudden liquidity shocks across global markets. For an Indian equity investor, understanding this dynamic is crucial. It helps you avoid panic-selling during sharp market dips, recognizing them as technical, liquidity-driven events rather than as a fundamental challenge in India's growth story.

Commodity effect

These global rate shifts also steer your commodity allocations. Precious metals like gold and silver yield no interest. When US yields rise and the dollar strengthens, the opportunity cost of holding gold increases, which can put pressure on prices. Conversely, if a yen-triggered market panic occurs, gold can become a safe haven. Industrial metals prices like copper can also come



under pressure as higher global yields tighten financial conditions and slow manufacturing.

Borrowing costs

You might assume that because your liabilities are strictly domestic, like a floating-rate home loan or a LAS, global yields don't affect your interest burden. However, the Reserve Bank of India (RBI) does not operate in a vacuum.

Elevated global yields can put pressure on domestic financial conditions and the rupee, influencing the RBI's policy choices. This can make it harder for domestic rates to fall quickly, leaving floating-rate loans linked to external benchmarks with heavier

interest burdens, even if domestic inflation cools.

Action points

Align portfolios to currency risks: Review your foreign currency linked goals like overseas tuition fees or travel against your assets. Ensure you have adequate international fund exposure to create a natural hedge against a depreciating rupee.

Build a liquidity buffer for volatility: Keep 6–12 months of

near-term goal-linked money in low volatility debt investments. A Japan or US bond triggered global sell-off shouldn't force you to liquidate Indian or global equities at the wrong time to fund an upcoming life goal.

Stress-test your domestic debt:

Model your family budgets around interest rates remaining elevated. If you hold a LAS or a large home loan,

consider using surplus liquidity to prepay a portion of this debt to mitigate cumulative interest burdens.

Anchor gold to strategy, not headlines: Maintain a 5-15% strategic allocation to gold as a portfolio hedge against systemic shocks, rather than trading it due to higher interest rates.

Global bond markets rarely make for exciting dinner-table conversation. However, by tuning out the daily noise and aligning your asset allocation to your actual life goals, you can protect and compound the wealth you have worked hard to build.

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