

Government bonds versus Corporate bonds

All the bail outs and helpful measures that governments are undertaking to reinvigorate the economy amount to a transfer from the government to the private sector.

Government balance sheets must suffer. Corporate balance sheets must improve. Short US Treasuries and treasuries of governments that are already running deficits, thus Europe and the UK, and Long their corresponding corporate bonds.

Another way of looking at it is that governments are in a sense guaranteeing the private sector. Therefore one should take on private sector credit risk and hedge it by buying protection in sovereign CDS.