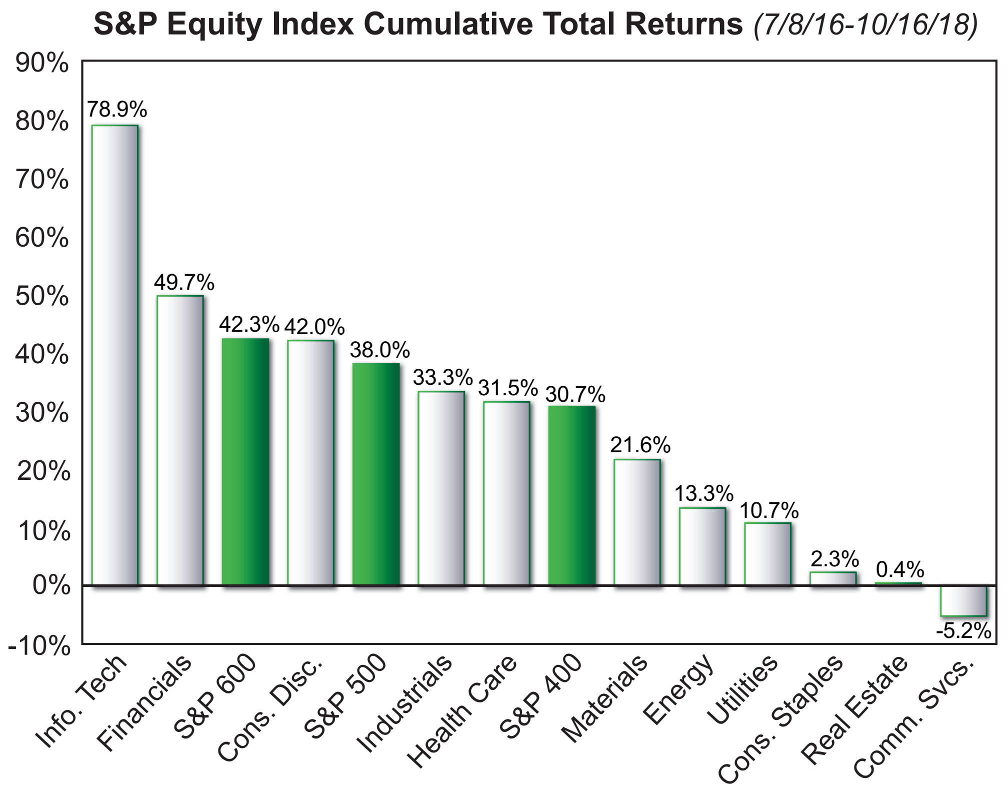
How U.S. Stocks Have Fared Since 7/8/16



Source: Bloomberg. On 9/24/18, Telecommunication Services was reconstituted into Communication Services.
Past performance is no guarantee of future results.

View from the Observation Deck

1. The yield on the 10-year Treasury note (T-note) closed at an all-time low of 1.36% on 7/8/16, according to data from Bloomberg.
2. For comparative purposes, its all-time closing high was set on 9/30/81 at 15.84%, while its average yield has been 6.19% since 1/5/62.
3. From 7/8/16-10/16/18, the yield on the 10-year T-note rose from 1.36% to 3.16%, or an increase of 180 basis points.
4. Rising interest rates and bond yields can influence the performance of stocks over time. As the theory goes, if yields climb high enough then bonds can become an attractive alternative to stocks.
5. In a March 2012 article in Businessweek, Standard & Poor's stated that, since 1953, U.S. stocks posted their best returns when Treasury yields were rising towards the 4.00% level. It wasn't until yields exceeded 6.00% that stock prices would begin to retrench.
6. The cumulative total returns in the chart indicate that equity investors have likely prospered since the yield on the 10-year-T-note began its upward climb from its all-time low on 7/8/16.
7. Our key takeaway from the chart is that the top performing sector indices in the period are more cyclical in nature.

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