

Rising Interest Rates And Stock Performance

S&P 500 Index Total Returns vs. Rising Treasury (10-Yr.) Yields

Year	↑ in 10-Yr. T-Note Yield	S&P 500 Total Return
2018 (2/20)	48 bps	1.87%
2016	18 bps	11.96%
2015	10 bps	1.38%
2013	127 bps	32.39%
2009	163 bps	26.46%
2006	31 bps	15.79%
2005	17 bps	4.91%
2003	43 bps	28.68%
1999	179 bps	21.04%
1996	85 bps	23.07%
1994	203 bps	1.31%
1990	13 bps	-3.17%
1988	28 bps	16.81%
1987	164 bps	5.23%
1983	133 bps	22.51%
1981	155 bps	-4.91%
1980	210 bps	32.42%
1979	118 bps	18.44%
1978	137 bps	6.56%
1977	97 bps	-7.18%
1975	36 bps	37.20%

Source: Bloomberg, Ibbotson Associates/Morningstar. Data measures 1975-2/20/18. Past performance is no guarantee of future results.

View from the Observation Deck

1. Today's blog post provides some historical perspective on how the S&P 500 Index has performed in calendar years when the yield on the benchmark 10-year Treasury note (T-note) finished the year higher than where it began.
2. From 1975-2017, there were 20 such years (see table). The S&P 500 Index posted a positive total return in 17 of those 20 years. The yield on the 10-year T-note is up markedly so far in 2018.
3. The yield on the 10-year T-note increased in excess of 100 basis points in 10 of the 20 years, with the most recent being 2013.
4. Monitoring the yield on the 10-year T-note is commonplace for equity investors, in our opinion. The higher the yield trends the more competitive Treasuries become as an alternative investment opportunity to equities.
5. Standard & Poor's showed that, from 1953 through March 2012, U.S. stocks posted their best returns when the yield on the 10-year T-note rose to around 4.0%, according to Businessweek. Stock prices usually retrenched when the yield topped 6.0%. Its yield stood at 2.89% on 2/20/18.

This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions and other expenses incurred when investing. Investors cannot invest directly in an index. The S&P 500 Index is a capitalization-weighted index comprised of 500 stocks (currently 505) used to measure large-cap U.S. stock market performance.

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