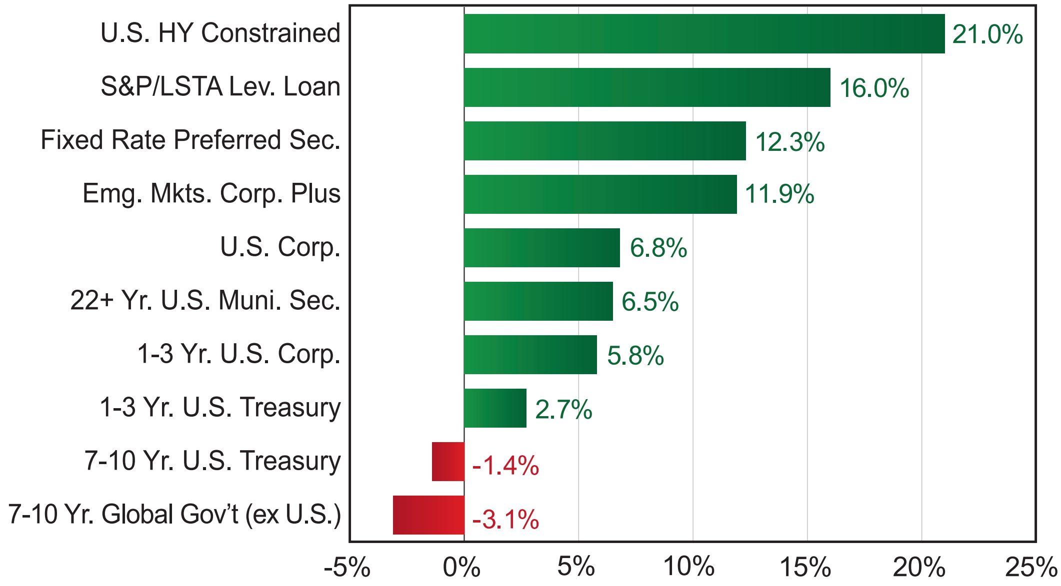
How Bonds Have Fared Since 7/8/16

Bond Index Cumulative Total Returns (7/8/16-4/26/19)



Source: Bloomberg. Past performance is no guarantee of future results. Index returns reflect the performance of ICE BofAML Indices except for the S&P/LSTA Leveraged Loan Index.

View from the Observation Deck

1. The yield on the benchmark 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 6.15% from 1/5/62 to 4/26/19.
3. From 7/8/16-4/26/19, the yield on the 10-year T-note rose from 1.36% to 2.50%, or an increase of 114 basis points (bps). It closed as high as 3.24% (11/8/18) in the period.
4. Since the Federal Reserve ("Fed") began raising rates on 12/16/15, the federal funds target rate (upper bound) has increased from 0.25% to 2.50%, or an increase of 225 bps, according to Bloomberg.
5. The cumulative total returns in the chart indicate that bonds issued by corporations, which inherently carry a higher degree of credit risk, have outperformed the other major categories since the yield on the 10-year-T-note began its upward climb from its all-time low on 7/8/16.
6. Of the various bond indices in the chart, global government debt has had the worst showing since 7/8/16. Deutsche Bank just reported that negative yielding notes and bonds in Europe currently total more than $10 trillion, the highest amount in roughly three years and nearly half of the total deficit amassed by the U.S., according to 24/7 Wall St.