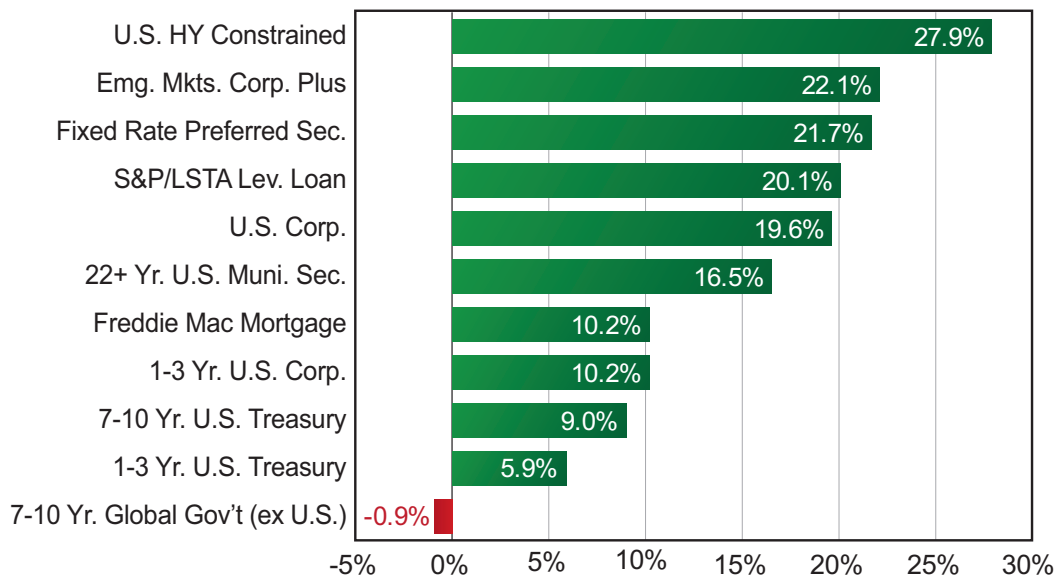


The Yield On The 10-Year Treasury Note Just Revisited Its All-Time Low

Bond Index Cumulative Total Returns (7/8/16-2/24/20)



Source: Bloomberg. Past performance is no guarantee of future results. Index returns reflect the performance of ICE BofA 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 1.37% on 2/24/20, just above the all-time closing low of 1.36% on 7/8/16, according to data from Bloomberg.
2. Over that 1,326 day span, its yield peaked at 3.24% on 11/8/18, or 187 basis points (bps) higher than its close on 2/24/20. Even at the 3.24% mark, the yield stood 37 bps below its 20-year average of 3.61% at that time, according to Bloomberg.
3. A combination of weaker domestic and global economic growth stemming in part from the Trump administration's trade policy, the recent fallout from the coronavirus outbreak and the lack of any notable inflationary pressure have helped push interest rates and bond yields lower, in our opinion. Last week, the White House acknowledged that President Donald J. Trump's trade stance has depressed economic growth and business investment, according to Bloomberg.
4. The cumulative total returns in the chart indicate that bonds issued by U.S. and emerging market corporations, which inherently carry a higher degree of credit risk, outperformed the other major categories.
5. Over the past three calendar years (2017-2019), investors funneled an estimated net \$928.4 billion into taxable bond mutual funds and exchange-traded funds (ETFs) and another \$151.2 billion into municipal bond mutual funds and ETFs, according to Morningstar.

This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions or other expenses incurred when investing. Investors cannot invest directly in an index. The ICE BofA U.S. High Yield Constrained Index tracks the performance of U.S. dollar denominated below investment grade corporate debt publicly issued in the U.S. domestic market. The S&P/LSTA U.S. Leveraged Loan Index is a market value-weighted index designed to measure the performance of the U.S. leveraged loan market. The ICE BofA Emerging Markets Corporate Plus Index tracks the performance of U.S. dollar and euro denominated emerging markets non-sovereign debt publicly issued in the major domestic and eurobond markets. The ICE BofA Fixed Rate Preferred Securities Index tracks the performance of investment grade fixed rate U.S. dollar denominated preferred securities issued in the U.S. domestic market. The ICE BofA 1-3 Year U.S. Corporate Index is a subset of the ICE BofA U.S. Corporate Index including all securities with a remaining term to maturity of less than 3 years. The ICE BofA 1-3 Year U.S. Treasury Index tracks the performance of U.S. dollar denominated sovereign debt publicly issued by the U.S. government with a remaining term to maturity of less than 3 years. The ICE BofA 22+ Year U.S. Municipal Securities Index tracks the performance of U.S. dollar denominated investment grade tax-exempt debt publicly issued by U.S. states and territories, and their political subdivisions with a remaining term to maturity greater than or equal to 22 years. The ICE BofA U.S. Corporate Index tracks the performance of U.S. dollar denominated investment grade corporate debt publicly issued in the U.S. domestic market. The ICE BofA 7-10 Year Global Government (ex U.S.) Index tracks the performance of publicly issued investment grade sovereign debt denominated in the issuer's own domestic currency with a remaining term to maturity between 7 to 10 years, excluding those denominated in U.S. dollars. The ICE BofA 7-10 Year U.S. Treasury Index tracks the performance of U.S. dollar denominated sovereign debt publicly issued by the U.S. government with a remaining term to maturity between 7 to 10 years. The ICE BofA Freddie Mac Mortgage Backed Securities Index is a subset of the ICE BofA U.S. Mortgage Backed Securities Index including all generics representing pools issued by Freddie Mac.

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