

Cash Flow and Carey



Robert Carey, CFA
Chief Market Strategist

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Your Cash Ain't Nothing But Trash

Average Annual U.S. 30-Day Treasury Bill Total Return vs. Average Annual CPI Rate

Time Frame	30-Day Treasury Bill	Consumer Price Index	Real Rate Of Return
1926 - 2007	3.78%	3.1%	0.68%
2008 - 2022	0.59%	2.5%	-1.91%

Source: Bloomberg, Morningstar Direct. **Past Performance is no guarantee of future results.**

View from the Observation Deck

Today's post compares the average annual real rate of return (total return minus inflation) on the 30-day Treasury bill (T-bill) over two distinct time periods: 1926–2007, and 2008–2022.

One of these things is not like the other

From 1926 to 2007 the 30-day T-bill provided investors with a positive real rate of return of 0.68%, on average. Notably, the tables turned from 2008 to 2022, with the average annual real rate of return on the 30-day T-bill falling to -1.91%. A differential of this magnitude begs the question: what changed?

Losing money safely

Following the financial crisis, the Federal Reserve ("Fed") shifted to an "abundant reserve" monetary policy and held rates at zero, according to Brian Wesbury, Chief Economist at First Trust Portfolios L.P. ([Click Here](#) to see Brian's Monday Morning Outlook covering this topic). This shift, combined with a protracted low interest rate environment led to a dramatic decline in the yields on 30-day T-bills, which were no longer able to keep pace with inflation. In fact, an investment in a 30-day T-bill would have produced a negative real return over the past 15 years (see table).

Takeaway

In the 15 years since the financial crisis, investors have suffered a negative real rate of return in the 30-day T-bill. These returns stand in stark contrast to the 80+ years before the financial crisis when T-bills provided much-needed ballast against the erosion of inflation. The market has changed. Investors should weigh the impact negative real rates of return may have on their portfolios and consider adjusting accordingly, in our opinion.

U.S. Treasury Bills are represented by the Ibbotson Associates (IA) Stocks, Bonds, Bills, and Inflation (SBBI) series, "IA SBBI US 30 Day TBILL TR USD".

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