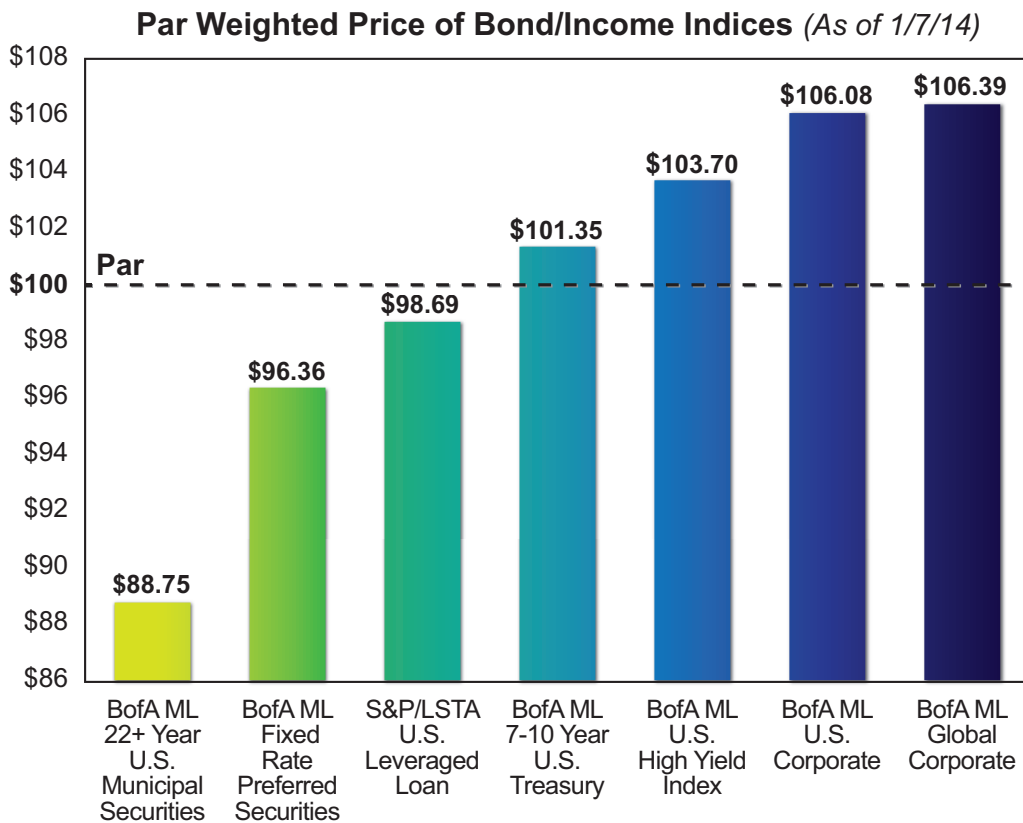


# How Much Are You Willing To Pay For That Yield?



Sources: Bloomberg, BofA Merrill Lynch.

## View from the Observation Deck

1. The yield on the 10-Year Treasury-Note rose 127 basis points to 3.03% in 2013. Its yield stood at 2.94% on 1/7/14. Bond prices declined in value in 2013 in most categories as a result of the spike in interest rates.
2. TrimTabs Investment Research reported that investors liquidated a record \$86 billion from U.S. bond mutual funds and ETFs in 2013, according to Barron's. Municipal bond funds experienced substantial withdrawals.
3. The yield on the 10-Year T-Note has averaged 4.0% over the past 15 years (1998-2013), according to Bloomberg. That is another 100 basis points or so above where it currently stands.
4. Those investors who are still seeking current income from bonds should be cognizant of the fact that valuations in some bond groups are still priced, on average, above par value.
5. Brian Wesbury, Chief Economist at First Trust Advisors, sees the yield on the 10-Year T-Note rising to 3.65% by the end of 2014. If so, it would put further downward pressure on most bond prices.

*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 BofA Merrill Lynch 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, in the U.S. domestic market. The BofA Merrill Lynch 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 S&P/LSTA Leveraged Loan Index tracks the performance of a broad cross section of leveraged loans, including dollar-denominated loans to overseas issuers. The BofA Merrill Lynch 7-10 Year U.S. Treasury Index tracks the performance of U.S. dollar denominated sovereign debt publicly issued by the U.S. government in its domestic market. The BofA Merrill Lynch U.S. High Yield Index tracks the performance of U.S. dollar denominated below investment grade corporate debt publicly issued in the U.S. domestic market. The BofA Merrill Lynch 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 BofA Merrill Lynch Global Corporate Index tracks the performance of investment grade corporate debt publicly issued in the major domestic and Eurobond markets.*