

Fixed-Rate Bond Total Returns Are Trending Lower

Barclays Bond Indices
(1-Year, 3- and 5-Year Annualized Total Returns)

	Yield to Worst				Total Returns		
	11/30/14	11/30/13	11/30/11	11/30/09	1-Yr	3-Yr	5-Yr
U.S. Treasury: Intermediate	1.09%	0.94%	0.80%	1.57%	1.13%	1.25%	2.54%
GNMA 30-Year	2.75%	3.27%	2.94%	3.70%	2.01%	2.23%	3.79%
Municipal Bond: Long Bond (22+)	3.11%	4.78%	4.74%	5.34%	3.94%	6.94%	7.05%
U.S. Aggregate	2.17%	2.33%	2.40%	3.15%	1.91%	3.00%	4.10%
Intermediate Corporate	2.36%	2.40%	3.43%	4.01%	1.09%	4.97%	5.31%
Global Aggregate	1.62%	1.98%	2.56%	2.78%	-2.78%	1.19%	2.00%
U.S. Corporate High Yield	6.12%	5.60%	8.87%	9.77%	-0.60%	9.92%	10.06%
EM Hard Currency Aggregate	4.64%	4.93%	6.25%	6.39%	-0.18%	7.18%	7.33%

Source: Barclays. Total returns through 11/30/14.

View from the Observation Deck

1. The purpose of today's blog post is simply to show investors how traditional fixed-rate bonds have performed over the past 1-, 3- and 5-years.
2. We believe that the information in the chart can help investors establish realistic expectations with respect to fixed-rate bond yields and performance potential moving forward.
3. There are eight major index categories in the chart and all eight of them have experienced a consistent decline in total return performance over the past 1-, 3- and 5-years.
4. Nearly all of the index total returns posted over the past year were below where their respective yields stood on 11/30/13.
5. Despite the fact that bond yields declined throughout most of the globe over the past year, three of the index categories posted negative total returns for the 1-year period ended 11/30/14.
6. We encourage investors to spend some time analyzing the figures in the chart.

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 U.S. Treasury: Intermediate Index includes public obligations of the U.S. Treasury with maturities ranging from 1 to 9.9999 years. The GNMA 30-Year Index covers agency mortgage-backed pass-through securities (both fixed-rate and hybrid ARM) issued by the Government National Mortgage Association (GNMA). The U.S. Municipal Index covers the USD-denominated long-term tax exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and prerefunded bonds. The U.S. Aggregate Bond Index is a broad-based benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM Passthroughs), ABS, and CMBS. The U.S. Intermediate Corporate Index is a broad-based benchmark with maturities ranging from 1 to 9.9999 years that measures the investment grade, U.S. dollar-denominated, fixed-rate, taxable corporate bond market. The U.S. Corporate High-Yield Index measures the market of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds. The Barclays Global Aggregate Index is a flagship measure of global investment grade debt from twenty-three different local currency markets. The Barclays Emerging Markets Hard Currency Aggregate Index is a flagship hard currency Emerging Markets debt benchmark that includes USD, EUR, and GBP-denominated debt from sovereign, quasi-sovereign, and corporate EM issuers.