View from the Observation Deck

1. Today's blog post is one we do ongoing so that investors can monitor fluctuations in bond prices relative to changes in interest rates and the global economy.

2. Perhaps the most notable change since our last post on 11/12/15 was the increase in the federal funds rate on 12/16/15. It represented the first hike in interest rates by the Federal Reserve since June 2006.

3. The Fed interest rate hike did not translate in higher rates in longer maturity investment grade bonds, such as the 10-Year Treasury Note (T-Note).

4. The yield on the 10-Year T-Note stood at 2.04% on 1/18/16, down 26 basis points from 2.30% on 12/16/15, the day the Fed announced the interest rate hike.

5. The slowdown in global economic growth, due largely to ongoing concerns surrounding the tempering of growth in China and the continued downward trend in oil prices, did result in selling pressure in speculative-grade bonds, in our opinion.

6. While both the high yield corporate bond and leveraged loan (senior loan) markets are exposed to the energy sector, the high yield corporate bond market has three times the exposure than that of leveraged loans, according to S&P Capital IQ.