

The Search For Yield In the Bond Market

Barclays Bond Indices (Yield Snapshot)

	Yield to Worst			
	6/30/16	6/28/13	6/30/11	6/30/09
U.S. Treasury: Intermediate	0.90%	0.96%	1.34%	2.02%
GNMA 30-Year	2.02%	3.24%	3.57%	4.53%
Municipal Bond: Long Bond (22+)	2.23%	4.33%	5.28%	5.76%
U.S. Aggregate	1.91%	2.35%	2.83%	4.12%
Intermediate Corporate	2.29%	2.69%	3.16%	5.67%
Global Aggregate	1.14%	2.10%	2.79%	3.41%
U.S. Corporate High Yield	7.27%	6.66%	7.32%	12.28%
EM Hard Currency Aggregate	4.48%	5.17%	5.55%	8.10%

Source: Barclays

View from the Observation Deck

1. Today's blog post shows where some major bond index yields stood at the close of 6/30/16, and also where they closed in June over the past three, five and seven years.
2. The U.S. economic recovery began in Q3'09, according to the National Bureau of Economic Research.
3. We believe that the information in the chart can help investors establish realistic expectations with respect to the amount of risk one needs to assume in the current climate in order to capture a desired rate of return (yield).
4. There are eight major index categories in the chart and five of the seven that hold taxable bonds were either near or below the Consumer Price Index – Core Rate, which excludes food and energy prices, at the end of June. That rate stood at 2.30%, according to Bloomberg.
5. One of the goals of investing in bonds is to generate enough yield to outpace the rate of inflation. Despite that being easier said than done in the current climate, investors have not shied away from investing in bond funds.
6. Investors funneled an estimated net \$45.18 billion into Taxable Bond mutual funds and exchange-traded funds for the 12-month period ended June 2016, according to Morningstar. That figure was \$47.87 billion for the Municipal Bond category.

This chart is for illustrative purposes only and not indicative of any actual investment. 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.