A Snapshot Of Fixed-Rate Bond Yields & Total Returns

Barclays Bond Indices

(1-Year, 3- and 5-Year Average Annualized Total Returns)

	Yield to Worst				Total Returns		
	1/31/17	1/29/16	1/31/14	1/31/12	1-Yr	3-Yr	5-Yr
U.S. Treasury: Intermediate	1.68%	1.19%	1.02%	0.63%	-0.37%	1.38%	0.97%
GNMA 30-Year	2.86%	2.41%	3.13%	2.66%	0.29%	2.32%	1.75%
Municipal Bond: Long Bond (22+)	3.42%	2.81%	4.52%	3.94%	0.33%	5.89%	4.28%
U.S. Aggregate	2.61%	2.34%	2.31%	2.05%	1.45%	2.60%	2.09%
Intermediate Corporate	2.83%	3.01%	2.37%	2.81%	3.89%	2.87%	3.26%
Global Aggregate	1.65%	1.57%	1.94%	2.15%	2.35%	-0.16%	0.10%
U.S. Corporate High Yield	5.85%	9.17%	5.64%	7.52%	20.77%	4.92%	7.03%
EM Hard Currency Aggregate	4.48%	5.69%	5.11%	5.78%	10.65%	4.61%	5.01%

Source: Barclays. Total returns through 1/31/17.

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 bond index categories in the chart. Six of them are domestic, one is global in scope and one tracks emerging market bonds.
4. By matching up the columns via color, investors have the ability to identify those indices that have posted total returns either approaching or exceeding their respective yields at the start of a given period.
5. One of the primary goals of any fixed-income investors is to at least "earn your coupon," in our opinion. Looking ahead, that may become more difficult if interest rates trend higher.
6. We intend to monitor the direction of interest rates closely moving forward.

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.