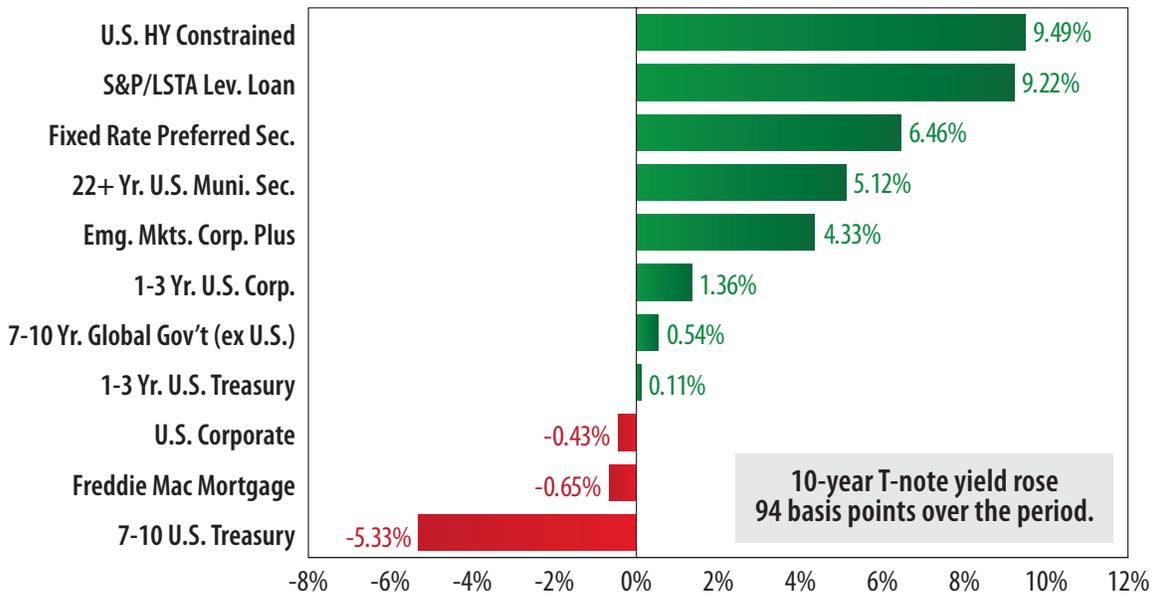


How Bonds Have Fared Since 8/4/20

Bond Index Total Returns (8/4/20-6/11/21)



Source: Bloomberg. **Past performance is no guarantee of future results.**
Index returns reflect the performance of ICE BofA Indices except for the S&P/LSTA Leveraged Loan Index.

View from the Observation Deck

1. The yield on the 10-year Treasury note (T-note) closed at an all-time low of 0.51% on 8/4/20, according to Bloomberg.
2. From 8/4/20 through 6/11/21, its yield rose from 0.51% to 1.45%, or an increase of 94 basis points. Its closing high for the period was 1.74%, set on 3/31/21.
3. As indicated in the chart above, the worst-performing bond categories for the period all track high-grade debt.
4. Since 8/4/20, investors have favored speculative-grade bonds over investment-grade debt, as evidenced by the strong total returns posted by leverage loans (senior loans) and high yield corporate bonds.
5. Both emerging market bonds and intermediate-term global government bonds delivered positive total returns. The U.S. Dollar Index (DXY) declined by 3.02% over the period featured in the chart, according to Bloomberg. That decline is substantial enough to provide a boost to the returns on foreign bonds, in our opinion.
6. Inflation is heating up. The trailing 12-month CPI (Consumer Price Index) stood at 5.0% in May 2021, according to the Bureau of Labor Statistics. Stay tuned.

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 ICE BofA U.S. High Yield Constrained Index tracks the performance of U.S. dollar denominated below investment grade corporate debt publicly issued in the U.S. domestic market. The S&P/LSTA U.S. Leveraged Loan Index is a market value-weighted index designed to measure the performance of the U.S. leveraged loan market. The ICE BofA Emerging Markets Corporate Plus Index tracks the performance of U.S. dollar and euro denominated emerging markets non-sovereign debt publicly issued in the major domestic and eurobond markets. The ICE BofA 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 ICE BofA 1-3 Year U.S. Corporate Index is a subset of the ICE BofA U.S. Corporate Index including all securities with a remaining term to maturity of less than 3 years. The ICE BofA 1-3 Year U.S. Treasury Index tracks the performance of U.S. dollar denominated sovereign debt publicly issued by the U.S. government with a remaining term to maturity of less than 3 years. The ICE BofA 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 with a remaining term to maturity greater than or equal to 22 years. The ICE BofA 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 ICE BofA 7-10 Year Global Government (ex U.S.) Index tracks the performance of publicly issued investment grade sovereign debt denominated in the issuer's own domestic currency with a remaining term to maturity between 7 to 10 years, excluding those denominated in U.S. dollars. The ICE BofA 7-10 Year U.S. Treasury Index tracks the performance of U.S. dollar denominated sovereign debt publicly issued by the U.S. government with a remaining term to maturity between 7 to 10 years. The ICE BofA Freddie Mac Mortgage Backed Securities Index is a subset of the ICE BofA U.S. Mortgage Backed Securities Index including all generics representing pools issued by Freddie Mac.

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