Market Commentary Blog

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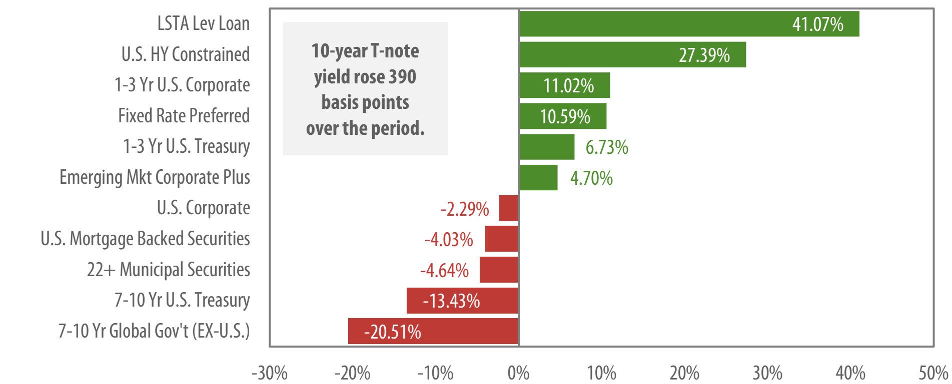
How Bonds Have Fared Since 8/4/20

Bond Index Total Returns (8/4/20 – 7/11/25)



Source: Bloomberg. **Past performance is no guarantee of future results.**
Index returns reflect the performance of ICE BofA Indices.

View from the Observation Deck

Today's post provides a snapshot of the total returns of 11 major bond indices since 8/4/20. We chose this as the starting date because the yield on the 10-year Treasury note (T-note) closed at an all-time low of 0.51% that day, according to data from Bloomberg. The 10-year T-note's yield increased substantially since then, climbing to 4.99% on 10/19/23 (most-recent high) before settling at 3.62% on 9/16/24 (most-recent low). On 7/11/25, the yield on the 10-year T-note yield stood at 4.41%, representing an increase of 390 basis points (bps) from its all-time low. To view the last post we did on this topic, click here.

Inflation, as measured by the trailing 12-month rate of change in the Consumer Price Index (CPI), stood at 2.4% at the end of May 2025, down from 3.3% in May 2024 and 6.7 percentage points below its most recent high of 9.1% in June 2022.

As we see it, there is a high likelihood that recent disinflation will set the stage for further reductions to the federal funds target rate over the coming months. On 7/11/25, the federal funds target rate futures market revealed that investors expect two rate cuts totaling 50 bps through the end of 2025.

Six of the 11 debt categories presented in today's chart posted positive total returns over the period.

In our previous post on this topic in December 2024, we observed that most fixed income asset classes above had experienced significant price recoveries. While not covered in the chart above, much of that recovery occurred within the past 12-months. Notably, all but one of the asset classes above posted positive total returns since 7/8/24 (the day before Jerome Powell hinted that rate cuts could be forthcoming), with 22+ year Municipal Securities being the outlier (-2.68%). For comparison, U.S. High Yield Constrained surged by 9.63% over the same time frame.

The total returns for intermediate-term U.S. and global government bonds remain sharply negative over the period captured in the chart.

The strength in the U.S. dollar likely had a negative impact on the performance of foreign bonds, in our opinion, with the U.S. Dollar Index (DXY) increasing by 4.79% over the period indicated in today's chart. As many investors are likely aware, the Dollar has exhibited significant weakness this year, declining by 9.80% year-to-date through 7/11, sending the 7-10 Year Global Government (ex-U.S.) and Emerging Markets Corporate Indices surging by 6.11% and 3.90%, respectively, since 12/10/24 (our last post on this topic).

Takeaway

The total returns of each of the asset classes tracked in today's chart have improved since the last time we posted. As we see it, persistent disinflation and prospective monetary easing account for these results. Data from Bloomberg reveals that investors anticipate two additional rate cuts totaling 50 bps before year's end. As we've previously stated, many investors allocate to fixed income for the yield it provides. Given recent disinflation and surging yields, the 10-year T-note has now offered investors a positive real yield (yield minus inflation) for 24 consecutive months (thru 5/31/25). As always, it is possible that inflation could march steadily higher. Investors should not be surprised should that occur, in our opinion. At 2.4%, the CPI currently sits 0.2 percentage points below its 25-year monthly average of 2.6%. We will update this post as new information becomes available.