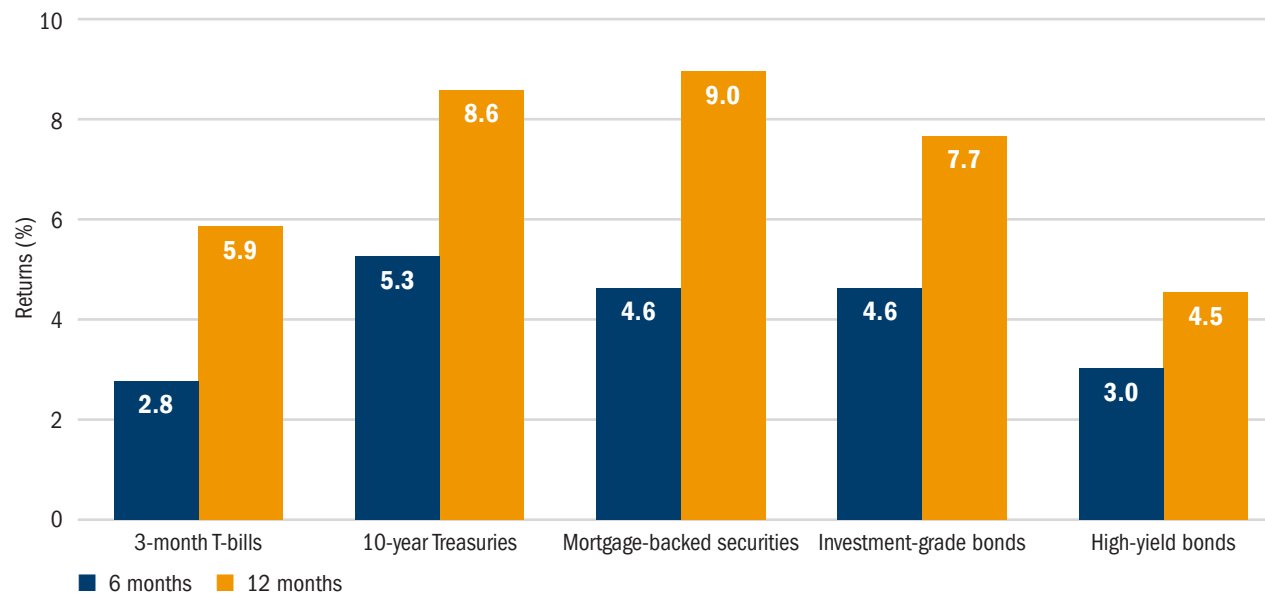


Chart on the Go

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► Fixed income delivers strong returns after the yield curve inverts



Past performance is not a guarantee of future results.

Source: Columbia Threadneedle Investments, Bloomberg. Each bar represents the average return for four periods since the mid-1980s during which the yield curve between the 2-year U.S. Treasury note and the 10-year U.S. Treasury note was inverted for at least three months (January 1989, February 2000, December 2005 and August 2006). Three-month bills are represented by the Bloomberg U.S. Treasury Bellwethers 3 Month Index, which is an unmanaged index representing the on-the-run (most recently auctioned) U.S. Treasury bill with 3 months' maturity; 10-year Treasuries are represented by The Bloomberg U.S. Treasury Bellwethers 10 Yr. Index, an unmanaged index representing the on-the-run (most recently auctioned) U.S. Treasury bond with 10 years' maturity; Mortgage-backed securities are represented by the Bloomberg U.S. Mortgage-Backed Securities Index, which tracks agency mortgage-backed pass-through securities; Investment grade is represented by the Bloomberg U.S. Corporate Investment Grade Index, which measures the investment-grade, taxable corporate bond market; High yield is represented by the Bloomberg U.S. High Yield Corporate Bond Index, which represents the universe of fixed-rate, non-investment-grade debt. An investment cannot be made in an Index.

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We looked at historical data to examine how fixed income performed when the yield curve inverted:

- During the past four periods of persistent yield curve inversions, fixed income has posted positive returns. Specifically, longer term bonds outperformed shorter term bills and high-quality investment-grade bonds outperformed lower quality high-yield bonds. Securitized sectors, like agency mortgage-backed securities (MBS), also posted strong returns.
- Because inverted yield curves generally convey that market sentiment is negative about future economic growth and inflation, duration and quality tend to perform well.
- As the yield curve continues to move in reaction to potential rate hikes and economic sentiment, we believe investors could benefit from a barbell approach. This balances risk and return potential by investing in both the short and long ends of the yield curve.