

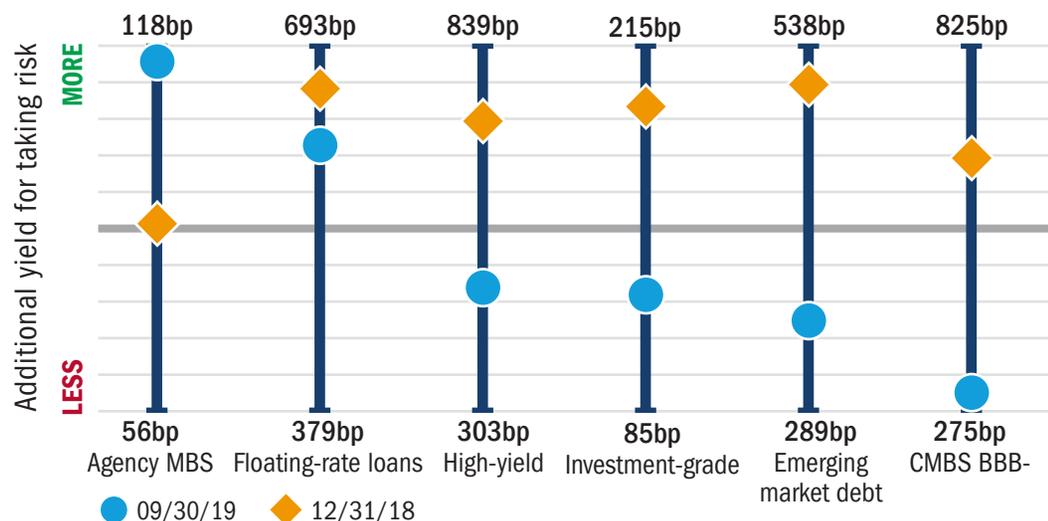


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Latest Insights | Fixed Income

▶ Relative to the beginning of the year, investors today are generally being rewarded less for riskier bonds

Fixed-income credit spreads



Source: Bloomberg, as of 09/30/19. Past performance is not a guarantee of future results. Daily spreads from 09/30/14 to 09/30/19. See disclosure for index details. It is not possible to invest directly in an index. A basis point is 1/100th of a percent. Note: Spread is the difference in quoted rates of return for a security with credit risk over a risk-free security (e.g. Treasuries or 3-month LIBOR). Each asset class has market conventions based on the security type and structure that dictate which risk-free security is used in comparison.

Mortgage- and asset-backed securities are affected by interest rates, financial health of issuers/originators, creditworthiness of entities providing credit enhancements and the value of underlying assets. **Agency MBS:** The **Bloomberg Barclays U.S. Mortgage-Backed Securities Index** includes 15- and 30-year fixed-rate securities backed by mortgage pools of Government National Mortgage Association (GNMA), Federal Home Loan Mortgage Corporation (FHLMC) and Federal National Mortgage Association (FNMA). **Floating-rate loans:** The **JPMorgan Leveraged Loan Index** is designed to mirror the investable universe of U.S. dollar institutional leveraged loans. **Investment-Grade:** The **Bloomberg Barclays U.S. Corporate Investment Grade Index** measures the investment grade, taxable corporate bond market. **Emerging markets debt:** The **JPMorgan Emerging Market Bond Index Global** tracks total returns for traded external debt instruments in emerging markets and is an expanded version of the JPMorgan EMBI+. As with the EMBI+, the EMBI Global includes U.S.-dollar-denominated Brady bonds, loans and Eurobonds with an outstanding face value of at least \$500 million. It covers more of the eligible instruments than the EMBI+ by relaxing somewhat the strict EMBI+ limits on secondary market trading liquidity. **High-Yield:** The **Bloomberg Barclays U.S. Corporate High Yield Bond Index** represents the universe of fixed rate, non-investment grade debt. **CMBS BBB-:** Average of New Issue BBB- Option-Adjusted Spread. It is not possible to invest directly in an index.

Columbia Threadneedle Investments

Investors earn a yield premium, or spread, for assuming risk. **In the current environment, the yield premium is generally lower and investors are being compensated less for investing in bonds with more risk.** This is a change from the end of 2018 when yield premiums were more attractive.

Agency mortgage-backed securities (MBS) are a notable exception to this trend. There's a favorable risk/reward profile in agency MBS — the yield premium is at levels that haven't been seen since the financial crisis. It's important to remember that individuals can prepay their mortgages if interest rates drop materially.

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