

## Higher bond yields provide a “cushion” when rates increase

(2-year U.S. Treasury bond returns assuming change in yield)

		← Change in yield (bps) →						
		-300	-200	-100	0	+100	+200	+300
Starting yield (%)	4.0	10.0	8.0	6.0	4.0	2.0	0.0	-2.0
	4.5	10.5	8.5	6.5	4.5	2.5	0.5	-1.5
	5.0	11.0	9.0	7.0	5.0	3.0	1.0	-1.0
	5.5	11.5	9.5	7.5	5.5	3.5	1.5	-0.5
	6.0	12.0	10.0	8.0	6.0	4.0	2.0	0.0
	6.5	12.5	10.5	8.5	6.5	4.5	2.5	0.5

Source: Columbia Threadneedle Investments as of 02/29/24. This example is shown for illustrative purposes only and is not a guarantee. These are hypothetical results using a simplified mathematical formula and assumes a starting yield of 6% and a duration of two years. The assumptions do not reflect the effect of other factors that could impact return. A basis point (bps) is 1/100th of a percent.

With the Fed expected to cut rates in 2024, yields on bonds will move as well. So what will happen to bond return when that occurs?

If rates go higher (the right side of the table), bond returns would fall. If rates decline (the left side of the table), bonds would rise. This is because interest rates and bond prices move in opposite directions.

In the case of short-term bonds, we’d have to see rates rise more than 300 basis points to see negative returns, making them particularly attractive for investors who may be overallocated to cash.

Source: Columbia Threadneedle Investments. **Past performance does not guarantee future results.** There are risks associated with fixed-income investments, including credit risk, interest rate risk, and prepayment and extension risk. In general, bond prices rise when interest rates fall and vice versa. This effect is usually more pronounced for longer term securities. The views expressed are as of the date provided, may change as market or other conditions change and may differ from views expressed by other Columbia Management Investment Advisers, LLC (CMIA) associates or affiliates. Actual investments or investment decisions made by CMIA and its affiliates, whether for its own account or on behalf of clients, will not necessarily reflect the views expressed. This information is not intended to provide investment advice and does not account for individual investor circumstances. Investment decisions should always be made based on an investor’s specific financial needs, objectives, goals, time horizon and risk tolerance. Asset classes described may not be appropriate for all investors. No forecast should be considered a guarantee either. Since economic and market conditions change frequently, there can be no assurance that the trends described here will continue or that the forecasts are accurate. Columbia Management Investment Advisers, LLC is an investment adviser registered with the U.S. Securities and Exchange Commission. Columbia Threadneedle Investments (Columbia Threadneedle) is the global brand name of the Columbia and Threadneedle group of companies. © 2024 Columbia Management Investment Advisers, LLC. All rights reserved.