

Thinking beyond money markets

Gene Tannuzzo

Global Head of Fixed Income



Money market yields have increased dramatically and that creates a real competitor for other financial assets, including bonds. But the truth is that over a long period of time, investors are rewarded for investing in bonds over cash for a couple of reasons. One, there's opportunity to generate more yield in other non-government sectors of the market, which you don't get exposure to in money markets.

And two, you get a benefit of diversification because prices in the bond market will not move in perfect correlation to prices in the equity market or other markets. So for both of those reasons, I think moving outside of just money markets into other income producing assets is really important.

Investing involves risk including risk of loss of principal. 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. Diversification does not guarantee a profit or protect against loss.

The views expressed are as of April 2023, 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, may not necessarily reflect the views expressed. This information is not intended to provide investment advice and does not take into consideration 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. Past performance does not guarantee future results, and 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 any 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.