



Fixed-income investing in an election year

Gene Tannuzzo, CFA, Deputy Global Head of Fixed Income

Political changes can affect volatility. We saw this in 2016 after Donald Trump was elected. We saw a sharp move higher in interest rates and that caused a lot of volatility in the bond market, but it also caused ripple effects in a number of industries on the corporate side of the bond market where the deregulatory and lower tax impact impacted them positively. So I would say that politics create volatility, but in a portfolio that can balance that risk, you can put yourself in a much better place than a portfolio that depends only on interest rate risk or only on credit risk to make money.

Election years are always unpredictable, but what you can do is isolate the sensitivities, and do a scenario analysis around hot button issues related to healthcare policy, related to defense policy. And if we're unsure, we don't have to take risk in those areas. So we can isolate those and remove them from the portfolio because there's not an obvious risk premium or additional yield in the market for venturing too far down the risk spectrum into those industries.

The views expressed are as of October 2019, 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 suitable 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.

Investment products are not federally or FDIC-insured, deposits or obligations of or guaranteed by any financial institution and involve risks, including possible loss of principal and fluctuation in value.

Securities products offered through Columbia Management Investment Distributors, Inc., member FINRA. Advisory services provided by Columbia Management Investment Advisers, LLC.

Columbia Threadneedle Investments (Columbia Threadneedle) is the global brand name of the Columbia and Threadneedle group of companies.