



2022 was the worst year on record* for core fixed income, and many investors may wonder how far yields need to fall, in order to get back to break even.

Here's where things stand on 10/31/2023:

Bloomberg US Aggregate Bond Index	
Yield 5.65%	Duration (Years) 6.0

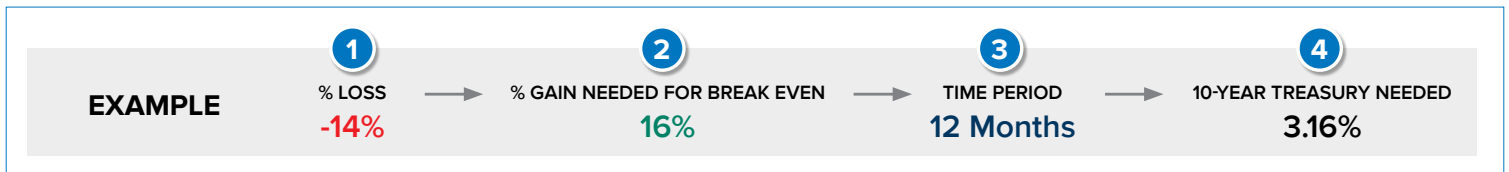
10 Year Treasury
Yield 4.88%

Below is a reference table to assist in answering that question:

- Step 1** What's your loss?
- Step 2** What % gain is needed to Break Even?
- Step 3** Over what time period are you hoping to get back to Break Even?
- Step 4** Find the corresponding box to see what the yield of the 10-Year Treasury needs to be, in order to achieve Break Even over that time period

1 % Loss	-10%	-12%	-14%	-16%	-18%	-20%
2 % Gain Needed for Break Even	11%	14%	16%	19%	22%	25%
3 Time Period	4 Where the Yield of the 10-Year Treasury needs to be for Break Even					
6 Months	3.52%	3.02%	2.68%	2.18%	1.68%	1.18%
12 Months	3.99%	3.49%	3.16%	2.66%	2.16%	1.66%
18 Months	4.46%	3.96%	3.63%	3.13%	2.63%	2.13%
24 Months	4.93%	4.43%	4.10%	3.60%	3.10%	2.60%
30 Months	5.40%	4.90%	4.57%	4.07%	3.57%	3.07%
36 Months	5.87%	5.37%	5.04%	4.54%	4.04%	3.54%

The chart above shows data as measured by the US Aggregate Bond Index from 9/30/2020 - 9/30/2023.



This is a hypothetical illustration of how breakeven can be calculated and is not intended to be considered investment advice, nor is it intended to reflect the actual performance of any particular security. Future performance cannot be guaranteed and investment yields will fluctuate with market conditions. Please see Important Disclosures at the end for more information.

*Quoted from Santa Clara University professor emeritus, Edward McQuarrie, via CNBC.

What's Next?

The numbers tell a definitive story and may lead you to question what can be done about the problem of yield sensitivity. Our team welcomes the opportunity to provide perspective on manager selection and the construction of client portfolios.

Please contact our National Sales Desk at 844-727-1813.

ASSUMPTIONS:

Breakeven yields are estimated based on current yield, duration, convexity, and average bond price of the Bloomberg U.S. Aggregate as of 10/31/2023. The Bloomberg U.S. Aggregate is an index, and investors cannot invest directly in an index. The example used is for illustrative purposes only, and an actual investors experience can, and likely will, differ from that shown in the example. The purpose of the illustration is to show a general example of how losses must be offset by gains to break-even on a security holding.

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DEFINITIONS:

The Bloomberg® US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market.