

Do Rate Hikes Always Spell Trouble for Bonds?

Bonds occasionally have down years, but they've historically been positive more often than not.

Investors may want to think twice before ditching bonds when the Federal Reserve (Fed) is hiking interest rates. Over the last 95 years, bonds have had positive annual returns 85% of the time. Moreover, they've posted positive returns in a variety of interest-rate environments—even during periods of Fed rate-hiking cycles.

Long-Term Bond Returns (1926-2021)

	-10 to -5%	-5 to 0%	0 to 5%	5 to 10%	10 to 15%	15 to 20%	>20%
	1969 -8.09	2021 -1.54	2018 0.01	2020 7.51	2002 10.26	1995 18.47	1985 22.10
	1956 -6.81	2013 -2.02	2017 3.54	2019 8.72	2000 11.63	1991 16.00	1982 32.62
		1999 -0.82	2016 2.65	2014 5.97	1989 14.53	1986 15.26	
		1994 -2.92	2015 0.55	2011 7.84	1975 14.64	1984 15.15	
		1974 -3.06	2012 4.21	2010 6.54	1971 11.01	1976 15.60	
		1967 -4.95	2006 4.33	2009 5.93	1934 13.84	1970 18.37	
		1965 -0.46	2005 2.43	2008 5.24	1933 10.38		
		1959 -0.97	2004 4.34	2007 6.97	1932 10.82		
		1958 -2.22	2003 4.10	2001 8.44			
		1951 -2.69	1996 3.63	1998 8.69			
		1947 -2.34	1987 2.76	1997 9.65			
		1931 -1.85	1980 2.71	1993 9.75			
			1979 1.93	1992 7.40			
			1978 1.39	1990 8.96			
			1977 3.04	1988 7.89			
			1973 1.14	1983 8.36			
			1968 2.57	1981 6.25			
			1966 0.20	1972 7.26			
			1964 4.77	1962 7.95			
			1963 2.19	1960 9.07			
			1961 4.82	1957 8.71			
			1955 0.48	1954 5.39			
			1953 3.41	1938 6.13			
			1952 3.52	1936 6.74			
			1950 2.12	1935 9.61			
			1949 3.31	1930 7.98			
			1948 4.14	1927 7.44			
			1946 1.72	1926 7.37			
			1945 4.08				
			1944 4.73				
			1943 2.83				
			1942 2.60				
			1941 2.73				
			1940 3.39				
			1939 3.97				
			1937 2.75				
			1929 3.27				
			1928 2.84				
Frequency of Return Range	2%	13%	40%	29%	8%	6%	2%

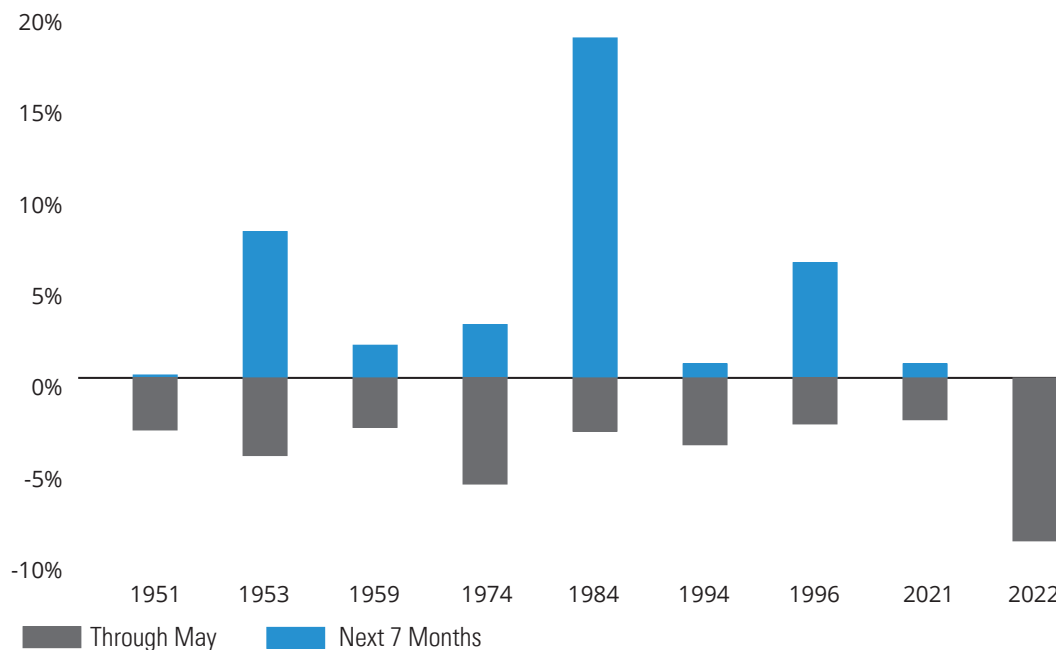
Fed Rate Hikes (Since 1971)

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Client Conversations

Even With Bad Starts, Bonds Can Still Find Their Footing

Historically, when bonds began the year with a loss of 2% or more in the first five months, they still finished the year with positive results.



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Talk to your financial professional about how you can prepare for today's rising-rate environment.

IA SBBI US Long-Term Corporate Index measures the performance of US dollar-denominated bonds issued in the US investment-grade bond market, including US and non-US corporate securities that have at least 10 years to maturity and a credit rating of AAA/AA.

Bloomberg US Aggregate Bond Index is composed of securities from the Bloomberg Government/Credit Bond Index, Mortgage-Backed Securities Index, Asset-Backed Securities Index, and Commercial Mortgage-Backed Securities Index.

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