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BLOG POST
Yields Pause
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Fixed income investors have faced significant headwinds over the past few months. The benchmark 10-year Treasury yield jumped from a low of roughly 0.5% to its current level of approximately 1.6%. This sudden upward move sent bond prices tumbling, which resulted in the worst quarterly performance for the asset class since 1980. After the outbreak of COVID, investors piled into bonds which pushed yields lower. But as the economy reopens, investors have turned increasingly to equities in their overall asset allocation, which in turn has pushed yields higher. The chart to the left plots the 10-year Treasury yield over the past year.

- While yields are well off their lows from 2020, the 10-year Treasury has traded in a relatively flat range over the past month. In fact, the yield has receded a bit from its yearly high of roughly 1.75%. The prospect of a more inflationary environment over the coming years has been a catalyst for the rise in yields, but by now the market might have fully priced in this expectation.

- If inflationary pressures mount, the 10-year yield could certainly move higher and surpass its pre-pandemic levels. On the flip side, however, rates could pull back in the intermediate term if COVID cases surge and threaten the reopening of the economy.