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BLOG POST
Continued Bond Market Headwinds
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Bond Investors had a rough 2021. The Bloomberg U.S. Aggregate Bond Index (TR), which measures the performance of the domestic investment-grade bond market, lost 1.54% last year and is off to another dismal start to 2022. At the time of this writing, the index is down 6.89% YTD. A combination of high inflation and expected rate increases by the Federal Reserve has the index on track for one of its worst quarterly performances since 1980, according to Bespoke Investment Group. A rough start to the year does not necessarily mean that we will finish the year negative; however, given current market sentiment and the Fed's willingness to aggressively tamp down inflation, fixed income may be in for another less than stellar year.

- According to Forbes, after historically poor bond market performances to start the year, only 22% of the time were bonds in the red to end the calendar year. This shows the importance of staying invested and not trying to time the market.
- Government bonds are on pace this year to produce their worst returns since 1949, according to a note on Friday from Bank of America, which tracked global bonds weighted by world gross domestic product.
- In a speech to the National Association for Business Economics, Powell said inflation "is much too high," and that the Fed would move "more aggressively by raising the federal-funds rate by more than 25 basis points at a meeting or meetings" if appropriate.

Source: Investopedia