The Bond Bull is About to enter Middle Age

The problem

- The mother of all interest rates, the ten-year United States Treasury Bill, will celebrate year forty of its bull market run this September of 2021.
- In September of 1981, the bond bull was born, and the yield on the 10 TSY was around 16%.
- Herein lies the rub: today, with the ten-year struggling to stay above 1.3%, and with the Federal Reserve continuing to buy $120 billion of bonds per month as part of their post Covid emergency relief strategy, rates remain stubbornly low.
- But the much-vaunted taper will eventually happen, and market forces will eventually be left to determine the direction of rates….eventually.
- When those rates begin the long delayed, long-awaited rise to some semblance of normalcy, that may not bode well for the total return on fixed income.
- With very little current yield providing any cushion from capital losses, fixed income today has pejoratively been dubbed a return free risk by some market observers.
- Fortunately, we have solutions in the annuity industry for those looking for a better ballast solution to the traditional stock/bond portfolio.

Vulnerable Prospects

- Those holding substantial fixed income holdings as portfolio ballast to equity positions

Why Act Now?

- The Fed has already announced its intention to reduce and end quantitative easing as conditions continue to improve in the economy. Combine reduced Fed accommodation with a strengthening economy and the march toward full employment, and fixed income may be facing secular headwinds unseen in decades.

An annuity when framed properly can be a great solution. Contact me today!

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