CAPTRUST

BREAKING THE (TIGHTENING) CYCLE?

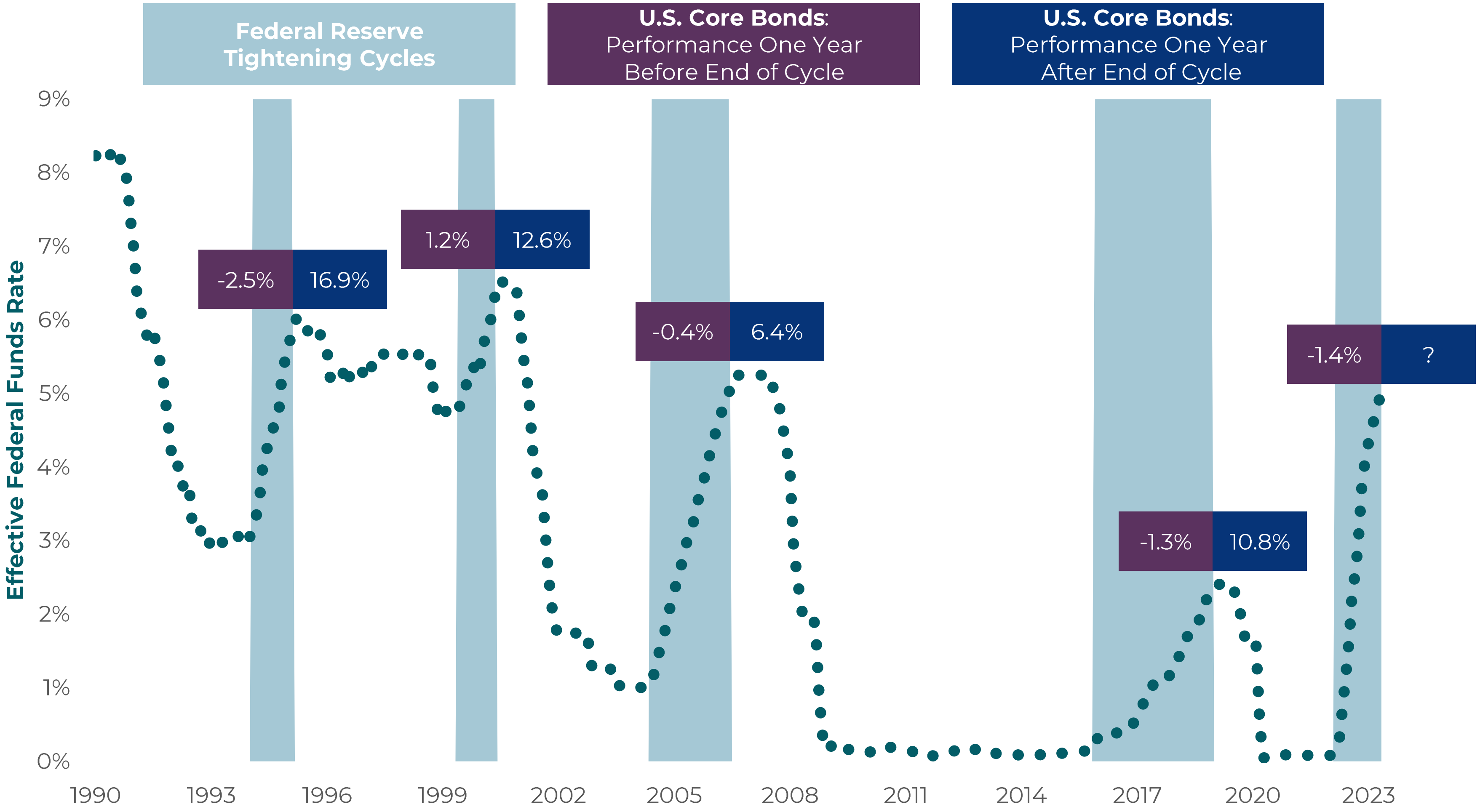
(Monetary Policy's Impact on U.S. Core Bonds—1990 to 2023)

CAPTRUST Market Intelligence:

The Federal Reserve has demonstrated a relentless commitment to taming inflation pressures, most notably through raising interest rates, which began just over a year ago in March of 2022.

Over the last three decades, the Fed has conducted five different tightening cycles (shaded in light blue) to cool and balance the economy. One consequence of rising interest rates for investors, however, has been the subpar performance of bonds, due to price depreciation, with an average total return -0.9% in the year before the end of the tightening cycle (denoted in purple).

There is a silver lining as we approach the potential end of the current tightening cycle: Bonds today exhibit the highest yields since before the financial crisis. Additionally, the performance after the end of a tightening cycle historically establishes a solid future return path for bonds. On average, the total return one year following the end of a tightening cycle (denoted in dark blue) has been (an impressive) +11.7%.



Sources: Morningstar Direct; Federal Reserve Bank of St. Louis; CAPTRUST Research. Bloomberg U.S. Aggregate Bond Index total returns and Effective Federal Funds Rate data represent monthly data points from January 1990 through May 2023. Past performance is not a guarantee of future results.