Bond Market Performance
1986–2019

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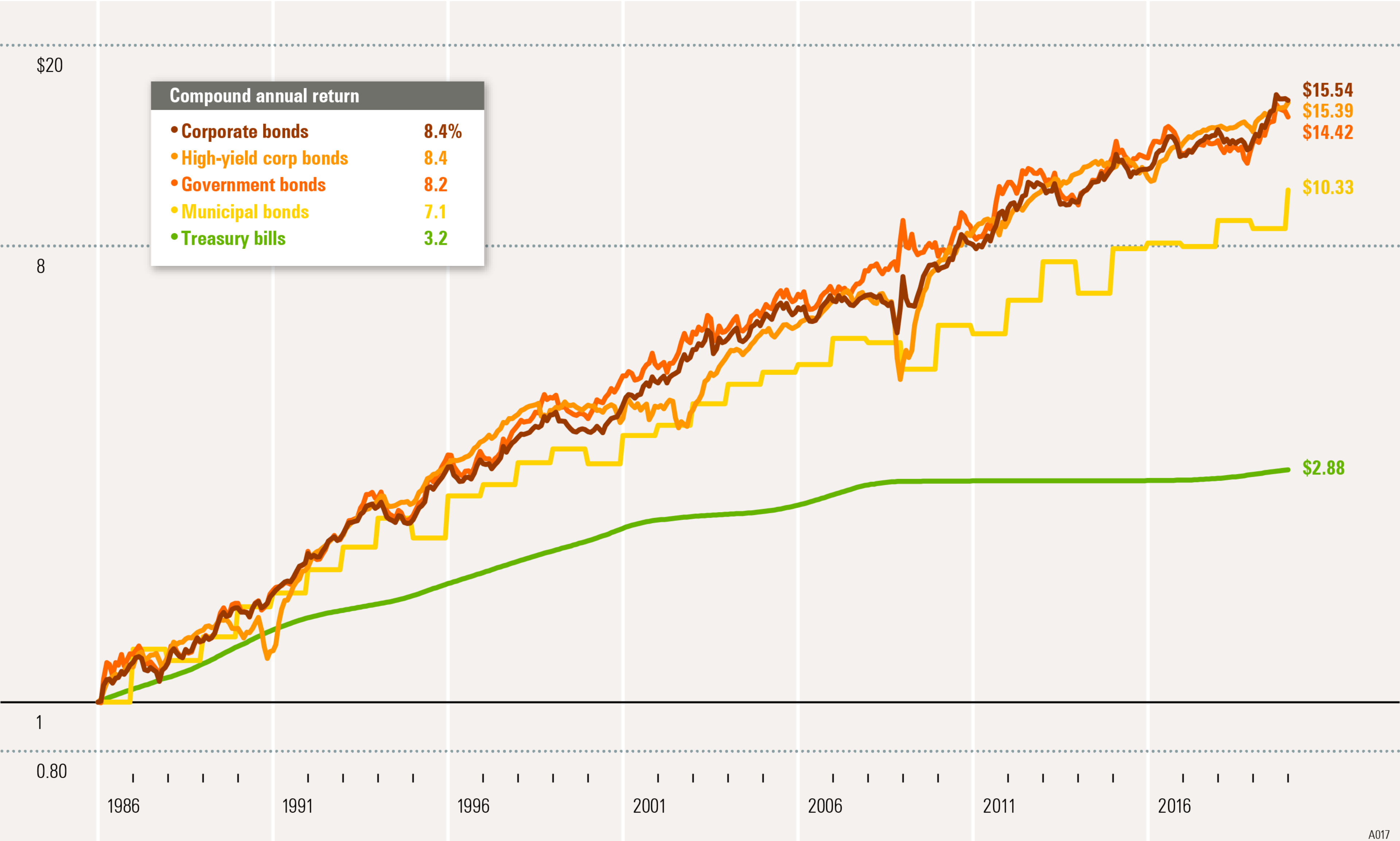

Past performance is no guarantee of future results. Hypothetical value of $1 invested at the beginning of 1986. Assumes reinvestment of income and no transaction costs or taxes. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index.

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Bonds are generally not known as the leading asset class for wealth accumulation; however, they have provided relatively stable returns since 1986.

This image illustrates the hypothetical growth of a $1 investment in government bonds, corporate bonds, high-yield corporate bonds, municipal bonds, and Treasury bills from Jan. 1, 1986, through Dec. 31, 2019. The start date of 1986 was chosen based on data availability.

Corporate bonds were the top performers during this time period, followed closely by high-yield corporate and long-term government bonds. Although municipal bonds underperformed other bonds, the income they generate is usually exempt from federal income taxes.

Historically, bonds have generally had a low correlation to stocks. There have even been short periods when bonds have outperformed stocks, such as the early-2000s bear market and the 2007–09 banking and credit crisis. For this reason, bonds may provide diversification benefits.

Diversification does not eliminate the risk of investment losses. Government bonds and Treasury bills are guaranteed by the full faith and credit of the U.S. government as to the timely payment of principal and interest, while stocks and corporate bonds are not guaranteed. Stocks have been more volatile than the other asset classes. With corporate bonds, an investor is a creditor of the corporation and the bond is subject to default risk. High-yield corporate bonds exhibit significantly more risk of default than investment-grade corporate bonds. Municipal bonds may be subject to the Alternative Minimum Tax and state and local taxes, and federal taxes would apply to any capital gains distributions.

About the data

High-yield corporate bonds are represented by the Bloomberg Barclays U.S. Corporate High Yield Bond Index, corporate bonds by the Ibbotson Long-Term High-Grade Corporate Bond Index, government bonds by the 20-year U.S. government bond, municipal bonds by the Mergent Bond Record, and Treasury bills by the 30-day U.S. Treasury bill. An investment cannot be made directly in an index. The data assumes reinvestment of all income and does not account for taxes or transaction costs.