

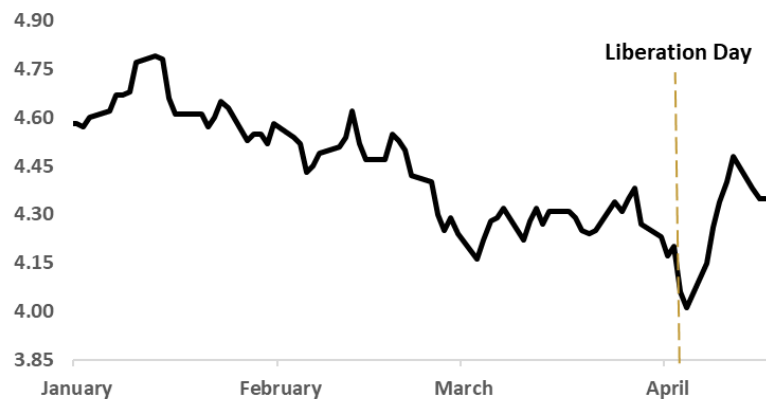
The Bond Market Not Behaving “As It Ought To”

The U.S. bond market has not behaved “as it ought to” when stock investors become nervous, as seen following President Trump’s Liberation Day tariff announcements. For the month, the S&P 500 is down nearly 4% and over 12% from its February 19th high. Meanwhile, the U.S. Aggregated Bond Index has also declined, as long-dated Treasury bond prices fell and yields rose. Rather than viewing long-dated Treasuries as safe havens, investors seem to have seen them as sources of risk.

Several explanations have been offered. One is inflation anxiety: tariffs may increase consumer prices, a generally negative development for fixed income. Another is that broader tariffs raise recession fears and could further deepen the federal budget deficit. This, in turn, may increase the supply of U.S. debt and drive up interest rates. A third possibility is retaliation—countries hit by tariffs, like China or Japan, might respond by selling their U.S. Treasury holdings.

However, the most plausible, if less dramatic, explanation is that leveraged investors raised cash by selling their most stable assets—bonds—during a period of heightened stock-market volatility. While other factors may still be at play, the simplest explanation appears to be the most likely.

10-Year U.S. Treasury Yield



Bloomberg, as of April 15, 2025.

Economy

Last Week

- **NFIB Small Business Optimism (Mar.):**
97.4 vs. 100.7 one month prior

- **Consumer Price Index (Mar.):**
-0.1% HL, 0.1% Core (MoM), 2.4% HL, 2.8% Core (YoY)

- **Producer Price Index (Mar.):**
-0.4% HL, -0.1% Core (MoM), 2.7% HL, 3.3% Core (YoY)

- **U. of Mich/ Consumer Sentiment (Mar.):**
50.8 vs. 57.0 one month prior

This Week

- **NY Fed Inflation Expectations (Mar.):** 4/14

- **Retail Sales (Mar.):** 4/16

- **Industrial Production (Mar.):** 4/16

- **Housing Starts & Building Permits (Mar.):** 4/17

Equities

Returns (%)

Index	Level	1 Week	QTD	YTD	1 Year	3-Year Ann.	5-Year Ann.
S&P 500	5397	8.34	-3.78	-7.90	8.04	8.72	15.77
Russell 1000 Growth	3546	9.97	-2.39	-12.13	8.41	11.28	17.13
Russell 1000 Value	1750	6.56	-5.47	-3.45	6.33	4.75	13.56
FTSE High Dividend Yield*	436	6.19	-5.43	-3.77	8.72	6.03	13.68
S&P Small and Mid Cap	15092	7.10	-6.40	-12.96	-3.41	1.81	14.01
MSCI EAFE	2385	7.95	-0.47	6.52	7.91	7.53	11.97
MSCI EM	1070	6.84	-2.66	0.23	6.85	1.74	6.82

Characteristics

Index	NTM P/E	NTM P/E (20Y med)	Div Yield	S&P Sector Returns YTD			
S&P 500	18.0	15.3	1.5	10	Staples	Utilities	Health Care
Russell 1000 Growth	22.2	17.7	0.7	5			
Russell 1000 Value	14.5	13.4	2.4	0			
FTSE High Dividend Yield*	11.8	13.0	4.2	-5			
S&P Small and Mid Cap	12.1	15.5	2.2	-10			
MSCI EAFE	13.0	13.4	3.4	-15			
MSCI EM	10.6	11.1	3.0	-20			

* Bloomberg U.S. Large Cap Dividend Yield Total Return Index used as substitute for index characteristics.

Fixed Income

Returns (%)

Index	Yield	1 Week	QTD	YTD	1 Year	3-Year Ann.	5-Year Ann.
U.S. Aggregate	4.73	-0.04	-0.88	1.88	6.46	1.16	-0.92
U.S. Int. Gov/Credit	4.34	-0.12	-0.22	2.20	6.82	2.54	0.56
U.S. Corporates	5.40	0.38	-1.51	0.76	6.00	1.90	0.18
High Yield	8.29	1.28	-1.51	-0.52	7.49	5.07	5.86
Municipals (1-10)	3.70	-0.01	-1.21	-0.52	1.32	1.91	0.88

Levels (%)

Key Rates	Last	1 Wk Ago	Last Qtr	Prev YE	1 Yr Ago	3 Yrs Ago	5 Yrs Ago
2-yr Treasury	3.85	3.91	3.89	4.24	4.99	4.99	0.21
10-yr Treasury	4.34	4.34	4.21	4.57	4.67	4.67	0.64
30-yr Treasury	4.78	4.74	4.57	4.78	4.76	4.76	1.26
SOFR	4.33	4.42	4.41	4.49	5.31	5.31	0.03
6-mo. CD rate	4.36	4.14	4.25	4.33	5.37	5.37	0.93
Prime Rate	7.50	7.50	7.50	7.50	8.50	8.50	3.25
30-yr fixed mortgage	6.88	6.65	6.77	7.28	7.50	7.50	3.53

