

FED PIVOT AND FIXED INCOME OPPORTUNITIES

Investment opportunities can exist for fixed income investors after a rate hike cycle.

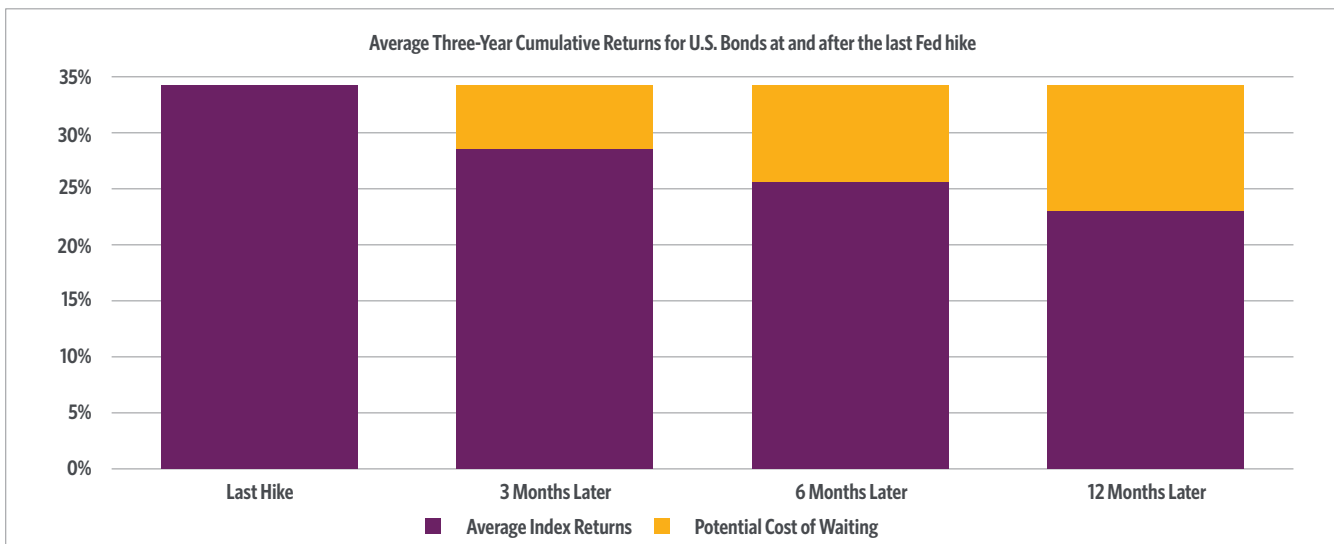
Historically, the longer investors have waited to allocate to fixed income after the Federal Reserve pivots, the more total return opportunity they may miss within intermediate-term bonds, specifically. However, all is not lost as there is still potential value in the yield curve.

KEY TAKEAWAYS

- The Fed may well have reached the peak in raising interest rates for this cycle. And, historically, such junctures have been a good entry point for fixed income investing.
- Inflation and unemployment levels will be key factors that dictate when we see the Fed begin to cut rates.
- We see continued value and investment opportunity in intermediate-term bonds, even if the Fed pauses rate cuts for some time.

HISTORY DOESN'T REPEAT ITSELF ... BUT IT SOMETIMES RHYMES

As the chart shows below, historically an investor was still able to capture cumulative total returns of over 25% during the following 36 months by investing three or six months after the last rate hike, as measured by the Bloomberg US Aggregate Index.



Past performance does not guarantee future results. As of 12/15/23. Each bar represents the average cumulative return over three years at various intervals around the last hike of each previous tightening cycle from 1984 to 2018. Last hikes occurred on 8/21/1984, 2/24/1989, 2/1/1995, 5/16/2000, 6/29/2006, and 12/19/2018. U.S. bonds are represented by the Bloomberg US Aggregate Bond Index. Data is provided for illustrative purposes only. All investments contain risk and may lose value. Indices do not reflect the performance of an actual investment. It is not possible to invest directly in an index, which also does not take into account trading commissions and costs. Source: Bloomberg.

THE INFLECTION POINT THAT CREATES INVESTMENT OPPORTUNITY MAY BE HERE NOW

Regardless of when the Fed begins to cut rates, it may well be done raising rates at this point in time. That inflection point following the last rate hike by the Fed has historically been an attractive entry point for fixed-income investors.

INVESTMENT PRODUCTS: NOT FDIC INSURED • NO BANK GUARANTEE • MAY LOSE VALUE

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1801 California St., Suite 5200, Denver, CO 80202.

