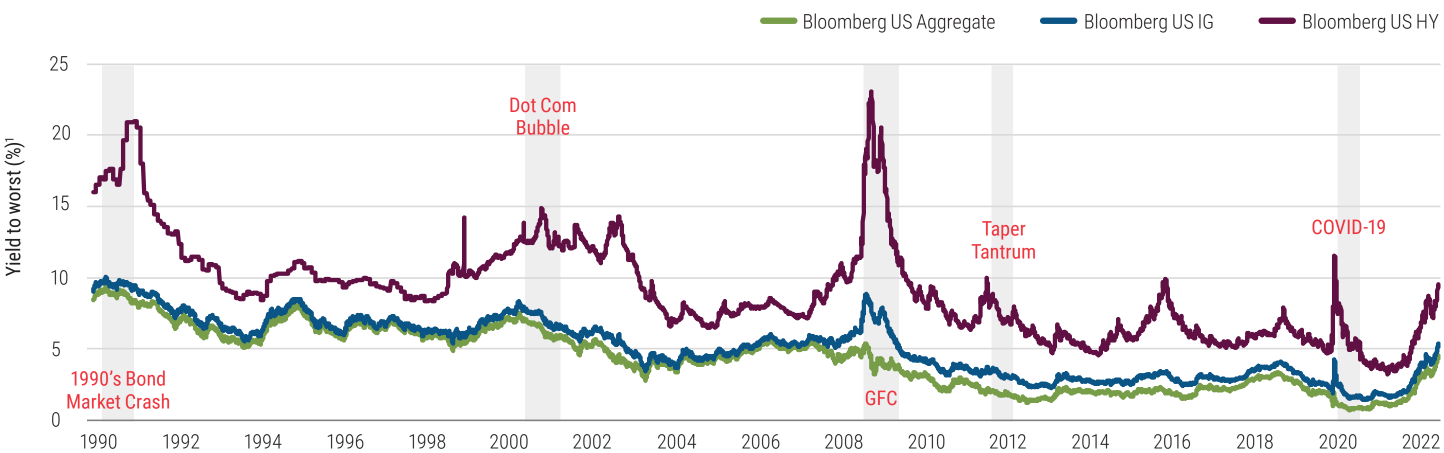
Bond yields after peaks: Why patient investors may be rewarded

Historically, bond yields have tended to peak toward the end of the business cycle – and when they do peak, strong performance has typically followed.

WHEN YIELDS HAVE PEAKED, STRONG PERFORMANCE HAS TYPICALLY FOLLOWED

The chart below shows what happened after bond yields peaked during the five most recent major market downturns. As you can see, both core and investment grade corporate bonds, as measured by their respective indexes, came back a year after each peak, thus strong performance historically follows yield peaks. This means patient investors have historically been rewarded with attractive returns.



	Bloomberg U.S. Aggregate		Bloomberg U.S. IG		Bloomberg U.S. HY	
	YTW (%)	Return 1-yr forward (%)	YTW (%)	Return 1-yr forward (%)	YTW (%)	Return 1-yr forward (%)
1990's Bond Market Crash	9.6	15.2	10.2	15.4	20.9	46.2
Dot Com Bubble	7.8	14.5	8.5	15.7	14.9	8.2
Global Financial Crisis	5.7	13.8	9.1	31.1	23.0	72.7
2013 Taper Tantrum	2.7	6.3	3.6	9.5	7.0	13.0
COVID-19	2.3	4.3	4.6	16.4	11.7	34.0

As of 31 December 2022 Source: PIMCO. **Past performance is not a guarantee or a reliable indicator of future results.**

* Using BBG US Aggregate Index data 5 years forward

Max YTW dates are as follows **1990's Bond Market Crash**: US Agg/US IG: 26 April 1990; US HY: 29 January 1991; **Dot Com Bubble**: US Agg/US IG: 18 May 2000; US HY: 5 December 2000; **Global Financial Crisis**: US Agg/US IG: 31 October 2008; US HY: 12 December 2008; **Taper Tantrum**: US Agg/US IG: 5 September 2013; US HY: 25 June 2013; **COVID-19**: US Agg: 19 March 2020; US IG 20 March 2020; US HY 23 March 2020.

1 The yield to worst is the yield resulting from the most adverse set of circumstances from the investor's point of view; the lowest of all possible yields.

CMR2023-0210-2733239

PAFIBS_3046031