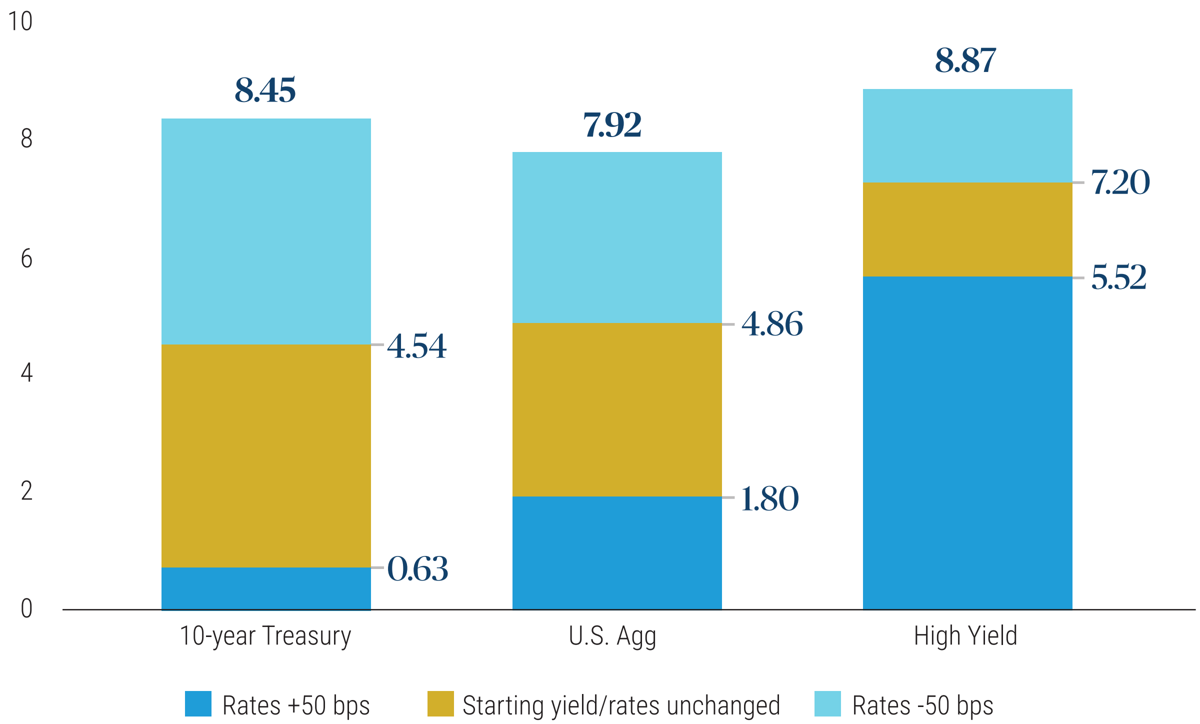
Chart on the Go

Latest Insights | Capitalize Yield

Learn more on our blog »

Why starting yields matter: The yield buffer

12-month forward total return potential (%)



- Historically, starting yields on bonds have been the strongest predictor of future total return. With current yields still at multi-decade highs, bonds have the potential to provide compelling returns and cushion against future interest rate volatility. And because yield and price move in opposite directions, investors could get a price upside from yields moving lower.
- For investors concerned about rising yields, it's important to recall that today's environment is very different from 2022, a period when sharp rate increases led to negative returns across most fixed-income sectors. The starting yield for the 10-year U.S. Treasury bond as of January 31, 2025 was 4.5% versus 1.8% in 2022. Even if yields were to increase by 50 basis points from their current high levels, bonds have the potential to provide positive returns.
- Starting yields matter: Today's starting yields offer a strong entry point, regardless of the sector, from which investors can maximize return potential while also offsetting the negative impact of interest rate volatility.

Source: Columbia Threadneedle Investments, based on Bloomberg data as of January 8, 2025. **U.S. Agg** is represented by the Bloomberg U.S. Aggregate Bond Index; **High yield** is represented by the Bloomberg U.S. High Yield Corporate Bond Index. It is not possible to invest directly in an index. **Past performance is not a guarantee of future results.**

W6N (02/25) CTNA7603938.1