

Chart of the Month

May 2022

A challenging time for 60/40 investors

There have only been nine quarters since 1988 where the Bloomberg U.S. Agg and S&P 500 were both negative. While only one month of data, April was worse than 1Q for both indices.



	Bloomberg US Agg	S&P 500	60/40 Return	NTM Return S&P 500	NTM Return Agg
Apr-22	-3.8%	-8.7%	-5.8%	??	??
1Q22	-5.9%	-4.6%	-5.4%	??	??
3Q08	-0.5%	-8.4%	-3.6%	-6.9%	10.6%
1Q94	-2.9%	-3.8%	-3.2%	15.6%	5.0%
1Q92	-1.3%	-2.5%	-1.8%	15.2%	13.3%
2Q08	-1.0%	-2.7%	-1.7%	-26.2%	6.0%
1Q90	-0.8%	-3.0%	-1.7%	14.4%	12.9%
1Q18	-1.5%	-0.8%	-1.2%	9.5%	4.5%
1Q05	-0.5%	-2.1%	-1.1%	11.7%	2.3%
2Q06	-0.1%	-1.4%	-0.6%	20.6%	6.1%
Avg.			-2.6%	6.7%	7.6%

Source: Bloomberg as of April 30, 2022.

Historically, bonds have been an anchor to the more volatile stock markets. However, investors who have traditionally used bonds to reduce risk in their portfolios have been hit by rising interest rates. Starting with the first quarter of 2022, both bonds and stocks have retrenched creating negative returns for balanced portfolios.

Bonds act like a teeter-totter, as interest rates rise, the value of the underlying bond falls. The Federal Reserve shifted gears in the first quarter from transitory inflation posture to more structural and has been raising rates ever since to combat heightened inflation in the U.S. Coupled with the fight against inflation, there has been a slowdown in the U.S. economy and corporate earnings. As a result, the month of April resulted in a negative 5.8% return for a 60% equity and 40% fixed portfolio, underperforming the entire first quarter of 2022.

The information included is provided with permission by Marquette Associates, Inc. ("Marquette"). This material is for informational purposes only and should not be considered investment or legal advice. We believe all sources to be reliable and correct as of the date of this material, but we cannot independently guarantee the accuracy or completeness of any information. Past performance is not a guarantee of future results. All investments involve risk, including loss of principal, and the value of an investment and the income from it can fall as well as rise and you may not get back the amount you originally invested. For a description of each of the indices listed, please contact us at operations@operoseadvisors.com.