



FEBRUARY 2020

## Fixed Income Performance Update

U.S. Long-Term Treasurys [TLT] was the top performer in January by producing its largest gain since August, as it increased by more than 769 basis points (bps).

U.S. Investment Grade Corporate Bonds [LQD] increased by more than 244 bps last month. LQD was the top-performing fixed income sector last year.

Treasury Inflation-Protected Securities [TIP] gained more than 213 bps in January and has risen for three consecutive months.

International Investment Grade Bonds [BNDX] broke a four-month losing streak as it rose by over 189 bps in January. Emerging Markets Bonds [EMB] increased by 124 bps last month.

U.S. Mortgage-Backed Securities [MBB] in-

creased by 74 bps in January and has risen for nine straight months.

Floating Rate Notes [FLOT] and Cash [MINT] each increased by less than 35 bps during January. FLOT has not had a monthly decline since December 2018.

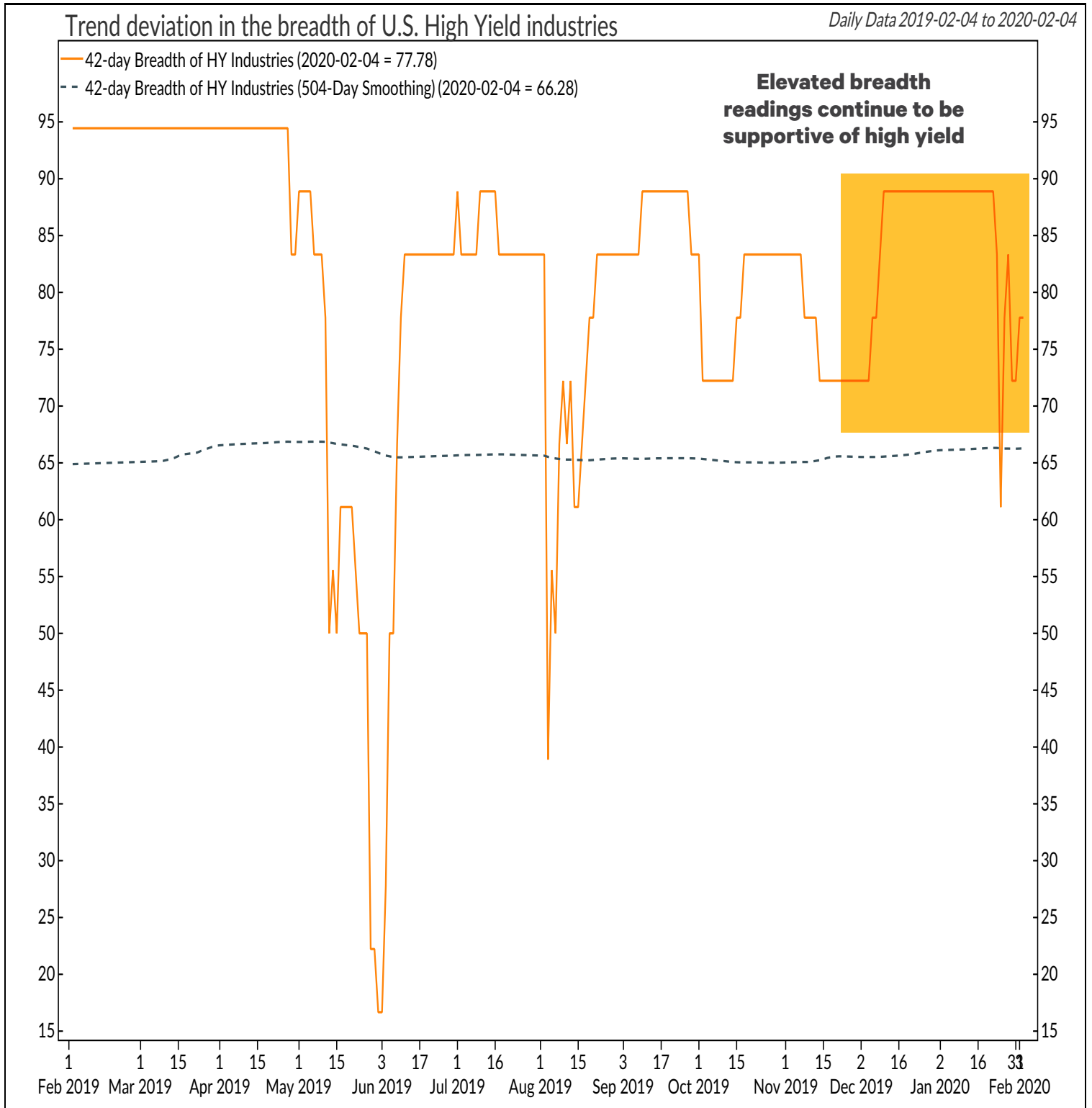
U.S. High Yield [JNK] was the only sector to decline in January, as it fell by more than 45 bps.

## Fixed Income Allocation Summary

<b>Emerging Markets</b>		
<b>U.S. Floating Rate Notes</b>		
<b>U.S. High Yield</b>		
<b>International Investment Grade</b>		
<b>U.S. Investment Grade Corporate</b>		
<b>U.S. Long-Term Treasury</b>		
<b>U.S. Mortgage Backed Securities</b>		
<b>Cash</b>		
<b>Treasury Inflation-Protected Securities</b>		

The vertical, black line represents the benchmark weight. The dark shading represents the sector's allocation. Shading significantly to the right (left) of the benchmark line represents an overweight (underweight) position. The direction of the arrow indicates whether the allocation increased, decreased, or remained approximately the same as the previous month.

- U.S. High Yield has the highest allocation, as it is more than 1,000 bps above the benchmark. A U.S. small-cap indicator flipped from bullish to bearish. None of the remaining high yield indicators is bearish. Although the sector underperformed last month, breadth within the sector [chart at bottom] is still supportive
- Emerging Markets (EM) remains more than 1,000 bps above benchmark allocation. EM currency and commodity indicators produced new bearish signals
- U.S. Mortgage Backed Securities is almost 300 bps above benchmark allocation. None of its indicators changed signals this month
- Cash received no allocation this month

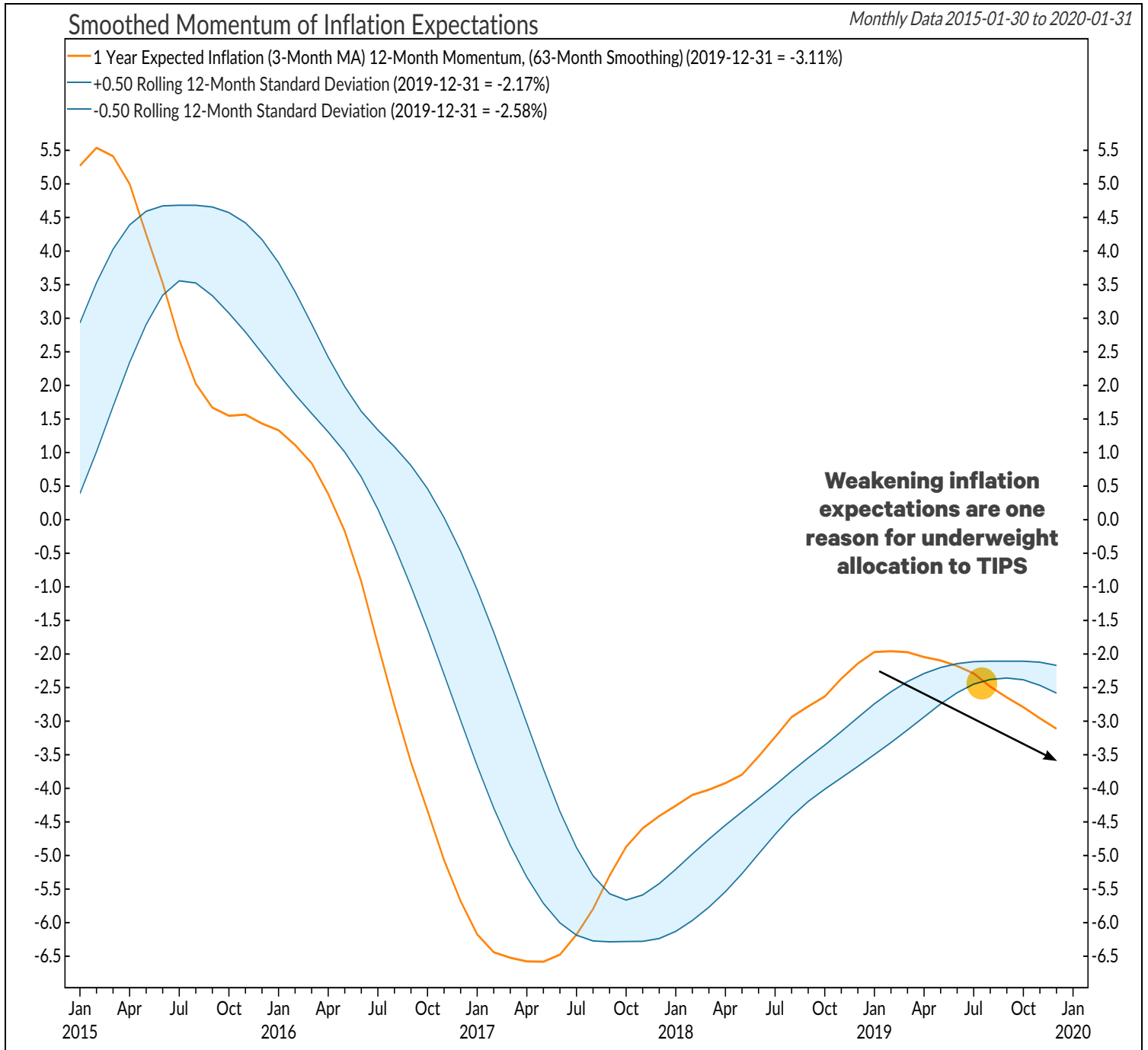


Customized version of ISBM1\_HY\_BREADTH\_MACR



© Copyright 2020 Ned Davis Research, Inc. Further distribution prohibited without prior permission. All Rights Reserved. See NDR Disclaimer at [www.ndr.com/copyright.html](http://www.ndr.com/copyright.html). For data vendor disclaimers refer to [www.ndr.com/vendorinfo/](http://www.ndr.com/vendorinfo/)

- The U.S. Investment Grade Corporate bonds sector remains more than 100 bps below benchmark allocation. A new bullish signal from a U.S. Dollar (USD) indicator was offset by a bearish reading from a credit default swap (CDS) measure
- Floating Rate Notes is still underweight, with 11% allocation. A yield curve trend indicator flashed a new bearish reading
- International Investment Grade bonds maintained underweight status with a 10% allocation. A yield curve slope measure produced a new bearish reading
- Treasury Inflation-Protected Securities' allocation is almost 1,000 bps below benchmark. No indicators changed signals this month. More than half of the indicators, like changes in inflation expectations [chart at bottom] are bearish on the sector
- U.S. Long-Term Treasuries' allocation is more than 1,000 bps below benchmark. Price momentum, price trend, and yield curve indicators exited their bearish signals, but a Citi U.S. Economic Surprise Index measure flipped to bearish



Customized version of ISBM1\_TIPS\_INFL\_MO



© Copyright 2020 Ned Davis Research, Inc. Further distribution prohibited without prior permission. All Rights Reserved. See NDR Disclaimer at [www.ndr.com/copyright.html](http://www.ndr.com/copyright.html). For data vendor disclaimers refer to [www.ndr.com/vendorinfo/](http://www.ndr.com/vendorinfo/)



**NDR**  
NED DAVIS RESEARCH

## Fixed Income Allocation Strategy

### **Ned Davis Research Disclaimer:**

The data and analysis contained within are provided "as is" and without warranty of any kind, either expressed or implied. The information is based on data believed to be reliable, but it is not guaranteed. NDR DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY, SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. All performance measures do not reflect tax consequences, execution, commissions, and other trading costs, and as such investors should consult their tax advisors before making investment decisions, as well as realize that the past performance and results of the model are not a guarantee of future results. The Fixed Income Allocation Strategy is not intended to be the primary basis for investment decisions and the usage of the model does not address the suitability of any particular investment for any particular investor.

Using any graph, chart, formula, model, or other device to assist in deciding which securities to trade or when to trade them presents many difficulties and their effectiveness has significant limitations, including that prior patterns may not repeat themselves continuously or on any particular occasion. In addition, market participants using such devices can impact the market in a way that changes the effectiveness of such devices. NDR believes no individual graph, chart, formula, model, or other device should be used as the sole basis for any investment decision and suggests that all market participants consider differing viewpoints and use a weight of the evidence approach that fits their investment needs.