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Making a Compelling Case for Core and Core Plus Strategies

By: Vishal Khanduja, CFA | & Brian S. Ellis, CFA | February 20, 2024

A decade of extremely low interest rates followed by the Federal Reserve's aggressive policy normalization created a challenging environment for bond investors over the last two years. We see the environment for fixed income improving greatly from here for these reasons:

KEY POINTS

1. Income: Starting yields are near post-financial crisis highs and have been a reliable indicator of future returns.
2. Total Return: The Fed has signaled a pivot from its restrictive stance, which has historically been a compelling time to increase duration in fixed income allocations.
3. Diversification: Correlations between bonds and risk assets should normalize as the Fed cuts interest rates.

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2024 Outlook: Multi-Sector Fixed Income, Return of the Core

By: Vishal Khanduja, CFA | & Brian S. Ellis, CFA | December 19, 2023

A Myriad of Macroeconomic Drivers Are in Play; However, We See a Stronger Backdrop for Fixed Income Markets in 2024

KEY POINTS

1. A decade of extremely low interest rates followed by the Federal Reserve's aggressive policy normalization created a challenging environment for bond investors over the last two years. The breakdown of the inverse correlation between long-term, risk-free rates and spread sectors has led investors to rethink their fixed income allocations.
2. We see a compelling backdrop for fixed income in 2024, where inflation continues to decelerate, and higher interest rates continue to slow growth and the Fed clearly pivots from their restrictive stance. Under that scenario, we believe fixed income will return to its traditional role of providing investors with income and portfolio diversification.
3. We believe the Fed has ended its aggressive hiking cycle and has recently indicated their intention to pivot in 2024. We think the pace of inflation and magnitude of economic growth will keep monetary policy variable, aiding active fixed income managers.

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