



[INSIGHTS](#)

[STRATEGIES](#)

[FUNDS](#)

[RESOURCES](#)

[ABOUT](#)

# Expertise

Eaton Vance offers unique perspectives and original research from portfolio managers and industry experts around the world.

# FEATURED

## VOLATILITY

### 200 Years of Data Affirms Our Long-Term Confidence in the 60/40 Portfolio

April 15, 2024

#### KEY POINTS

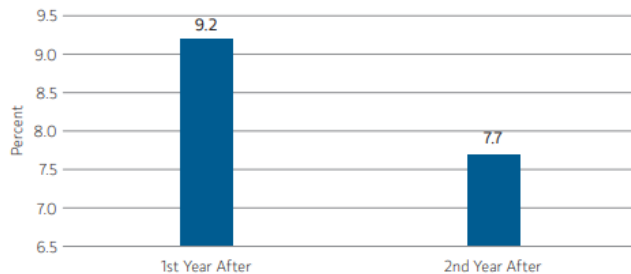
1. The 60/40 portfolio experienced a rollercoaster ride, down 17.5% in 2022 and up 17.2% in 2023.<sup>1</sup>
2. Whenever U.S. inflation exceeded 2.4%, there was an increase in the median correlation between stock and bond returns.
3. Two hundred years of historical analysis suggests there is an 80% probability of positive returns in the two years following a year of negative returns for both stocks and bonds.

The 60/40 portfolio, defined here as a mix of 60% U.S. equities and 40% U.S. Treasury bonds<sup>1</sup>, experienced a rollercoaster ride, dipping 17.5% in 2022 and rising 17.2% in 2023. Many market participants, perhaps fueled by a recency bias<sup>2</sup> belief that the declines of 2022 would persist, questioned the value of the traditional strategy. In our view, those concerns were overstated.

Since 2000, bonds often offered an effective hedge against equity-led losses. However, this dynamic dramatically changed in 2022 when both bonds and stocks produced negative returns, resulting in the worst performance of the 60/40 portfolio since 1937.

#### **Returns of 60/40 Seen Improving in the Two Years Following Sharply Negative Returns for Both Equities and Bonds**

*60/40 median returns in year 1 and year 2 post a year when both are negative. Past performance is no guarantee of future results.*



Source: MSIM, Bloomberg, FactSet, Haver. As of December 31, 2023. Data is based on historical trends and is subject to change. The information is not intended to predict the future performance of any specific investment or Morgan Stanley product.

A unique set of circumstances led to the challenging 2022 macro conditions, and we had predicted that the 60/40 strategy would rebound. Two-hundred years of historical analysis suggests there is an 80% probability of positive returns in the two years following a year of negative returns for both stocks and bonds. Last year, stocks surged with the S&P, gaining 26.3%, and U.S. 10-year treasuries rose 3.6%. As a result, the 60/40 mix returned 17.2%, far above its historical annual median return of +7.8%.

Analyzing the data reveals inflation has been the most important driver of the correlation between stocks and bonds: whenever U.S. inflation exceeded 2.4%, there was an increase in the median correlation between stock and bond returns. We believe that a drop in inflation in 2024 will lead to lower correlation between stocks and bonds, increasing the diversification benefits and lowering downside risk. Moreover, our analysis of second-year returns following a year when both asset classes yielded a negative return, like in 2022, indicates a likelihood of positive returns for this combination in 2024.

#### Bottom Line:

We believe this broader contextual analysis, drawing on 200 years of data, provides a valuable roadmap for investors to consider the benefits of a 60/40 portfolio. Despite some skepticism following the challenges of 2022, we believe a 60/40 strategy remains relevant.

<sup>1</sup>U.S. equities are represented by the S&P 500 Total Return Index (1926-Present) and the U.S. Market Total Return index (1820-1925), with data provided by Global Financial Data (GFD); U.S. Bonds are represented by 10-year U.S. Treasury Total Returns (1820-Present), with data provided by GFD. Index definitions can be found in the disclosure section. The indexes do not include any expenses, fees or sales charges, which would lower performance. The index

# EXPERTS

Across Eaton Vance, our people are experienced and accessible, bringing their distinct viewpoints and a personal touch to every relationship.



## Marshall Stocker, Ph.D., CFA

Co-Director of Emerging Markets,  
Portfolio Manager

Marshall Stocker is a vice president of Eaton Vance Management, co-director of emerging markets and portfolio manager on Eaton Vance's emerging markets team. He is responsible for co-leading the emerging markets team with investment professionals based in Boston, Washington, D.C., London and Singapore, as well as for buy and sell decisions, portfolio construction and risk management for assets in emerging and frontier markets. He joined Eaton Vance in 2013. [Download Full Bio](#)



## Jeffrey Mueller

Co-Director High Yield Bonds  
Portfolio Manager

Jeffrey Mueller is a vice president of Eaton Vance Advisers International Ltd. and a portfolio manager on Eaton Vance's high-yield team. He is responsible for buy and sell decisions, portfolio construction and risk management for the firm's high-yield and multi-asset credit strategies. He leads investment management and credit research for all non-U.S. high-yield opportunities. Jeff will become co-director of high-yield investments effective January 1, 2020. He joined Eaton Vance in 2015. [Download Full Bio](#)



## Vishal Khanduja, CFA

Director of Investment Grade Fixed-  
Income Portfolio Management and  
Trading

## WHO WE SERVE

- Sovereign Institutions
- Consultants
- Pension Funds
- Endowments and Foundations
- Insurers
- Intermediaries
- Global Financial Institutions
- Family Offices
- Fund Selectors
- Wealth Managers

## OUR INSIGHTS

### [CALVERT INSIGHTS](#)

## [Proxy Season Recap — And What's in Store for 2024](#)

April 4, 2024

The 2022-23 proxy season saw climate change continue to be the focus of most environmental, social and governance (ESG) proposals, with executive compensation and workforce practices also drawing scrutiny.



Nikita Jain  
Engagement  
Strategist  
Calvert Research  
and Management

### [CALVERT INSIGHTS | RESPONSIBLE INVESTING](#)

## [Where's the Trickle Down? Gender Diversity in Corporate Pipeline Lags the Boardroom](#)

By: [Yijia Chen, CFA](#) | March 15, 2024

As March is Women's History Month, it's timely that we review women's headway moving up the corporate ranks and the progress of gender diversity initiatives worldwide.

[READ MORE](#)

### [CALVERT INSIGHTS](#)

## [How Calvert Helped Create the Barron's Most Sustainable Companies List](#)

By: [Calvert Research and Management](#) | March 7, 2024

This marked the seventh year in a row that Calvert scored the 1,000 largest U.S. publicly traded companies across 230 environmental, social, and governance (ESG) performance indicators for Barron's annual list of the "100 Most Sustainable U.S. Companies." The top 100 firms included in Barron's achieved the highest scores across those ESG metrics, ranging from workplace diversity to greenhouse-gas emissions. Here's a brief look at how we did so.

[READ MORE](#)

[Insights](#)[Strategies](#)[Funds](#)[About](#)[Contact](#)

## INTERNATIONAL HEADQUARTERS

125 Old Broad Street  
London, EC2N 1AR  
United Kingdom

[Accessibility](#)[Privacy & Cookies](#)[Legal Information](#)[Terms of Use](#)[Principles for Responsible Investment](#)[Swiss Tax Reporting](#)

## Marketing Communication

To report a website vulnerability, please go to [Responsible Disclosure](#).

Eaton Vance is part of Morgan Stanley Investment Management, the asset management division of Morgan Stanley.

This site ([www.eatonvance.ch](http://www.eatonvance.ch)) is operated by Eaton Vance Management (International) Limited ("We"). We are a limited company, registered in England and Wales under company number 4228294 and have our registered office at 125 Old Broad Street, London, EC2N 1AR. Our VAT number is 762717416.

Eaton Vance Management (International) Limited is authorised and regulated by the Financial Conduct Authority ("FCA") and is entered on the FCA's register with register number 208634.

The value of your investment can go up or down so you may get back less than your initial investment. Past performance is not a guide to future returns.

The information on this webpage is not intended for U.S. residents. To visit our U.S. website [please click here](#).

Eaton Vance Management (Registration No. 1121368) and Parametric Portfolio Associates (Registration No. 1217626) are the registered trade marks of Eaton Vance.

Publication details: Thursday, October 19, 2023 8:45 AM

Page ID: 36184 - <https://www.eatonvance.ch/expertise.php>