

# Investing in a Rising Interest Rate Environment

Atlantic Retirement & Wealth Advisors

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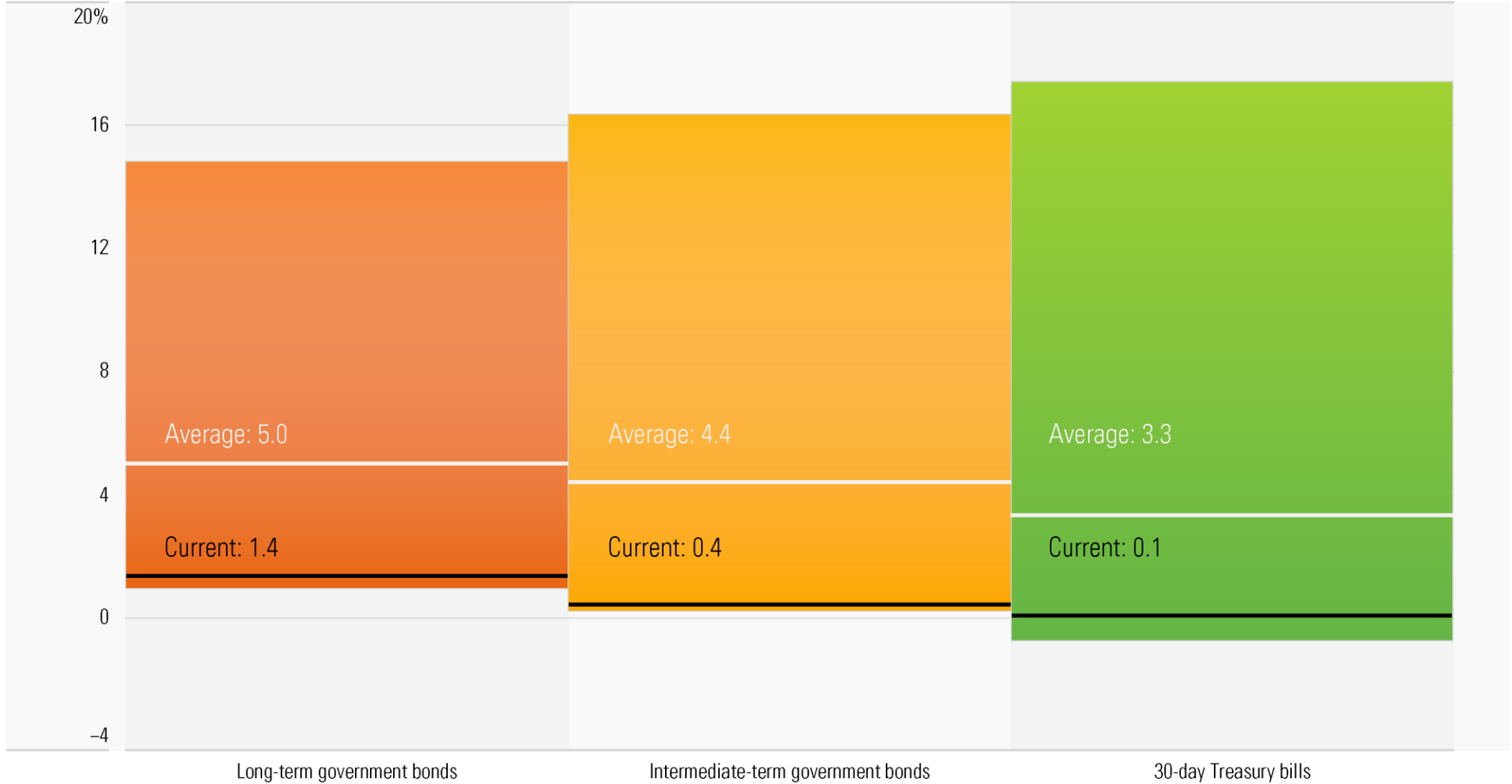
Atlantic Retirement & Wealth Advisors LLC

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# Investing in a Rising-Interest-Rate Environment

# History of Interest Rates

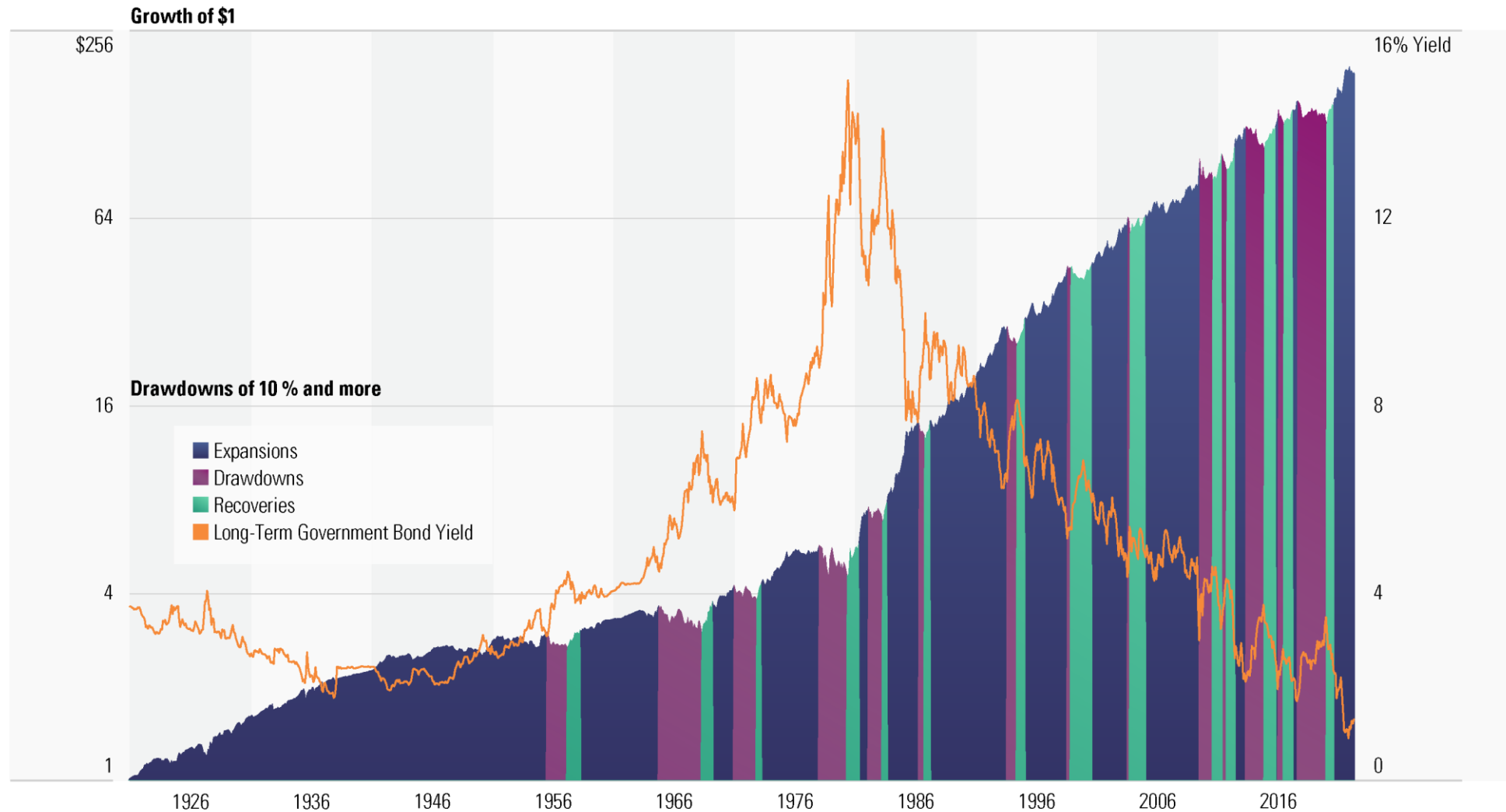
January 1926–December 2020



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# Long-Term Government Bonds' Downturns and Recoveries

January 1926–December 2020

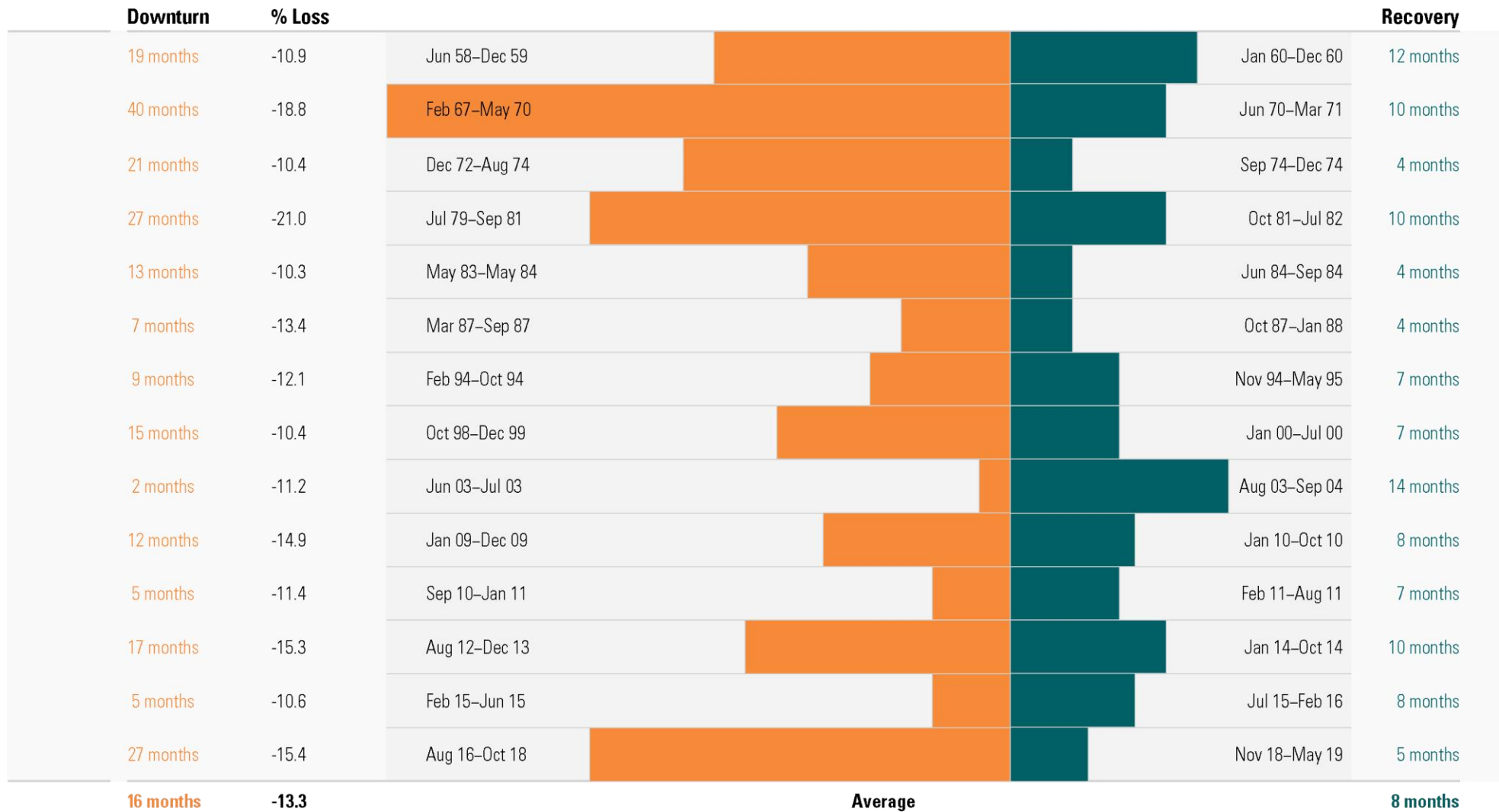


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# Long-Term Government Bonds' Downturns and Recoveries

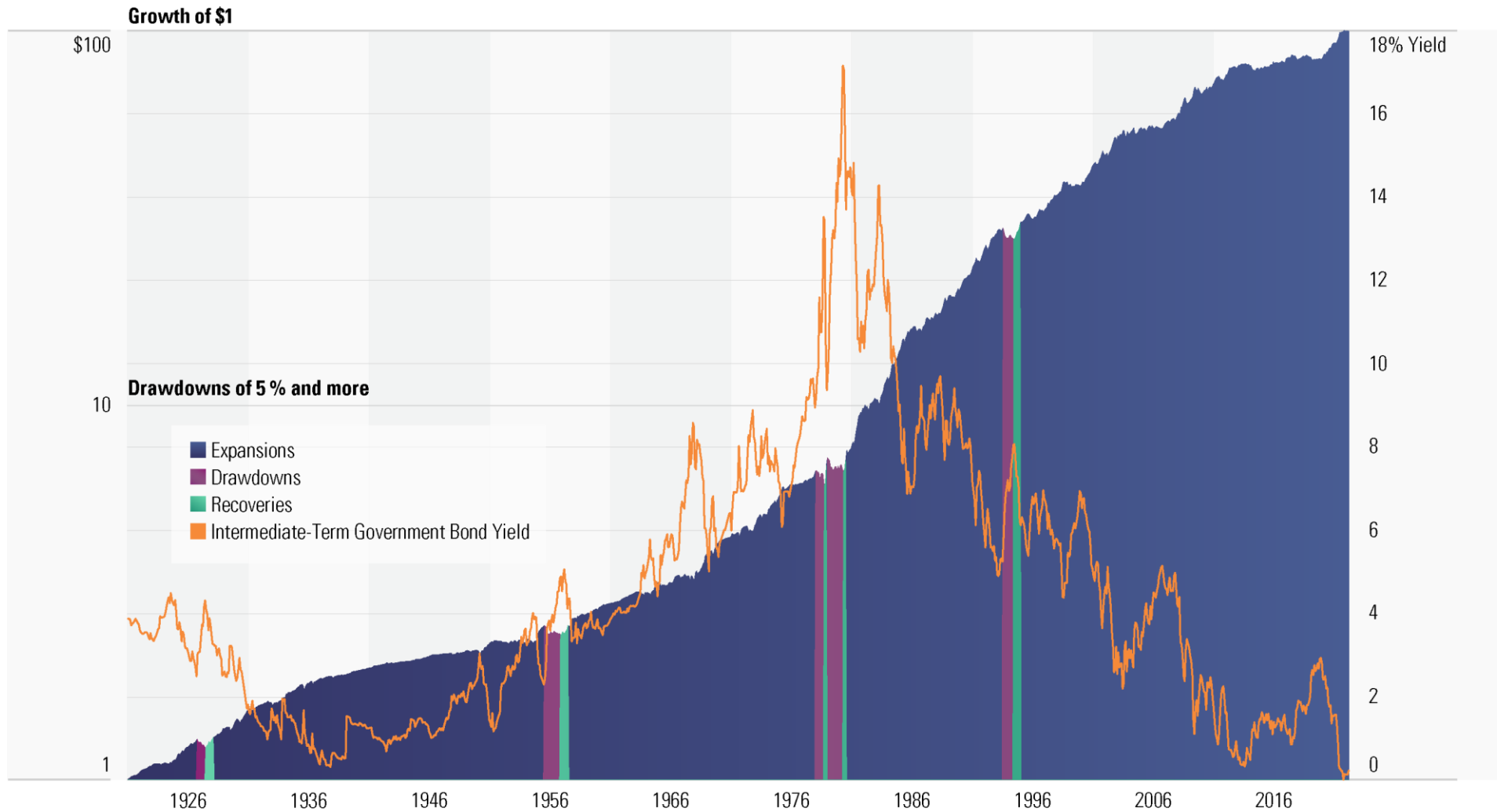
January 1926–December 2020



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# Intermediate-Term Government Bonds' Downturns and Recoveries

As of January 1926–December 2020

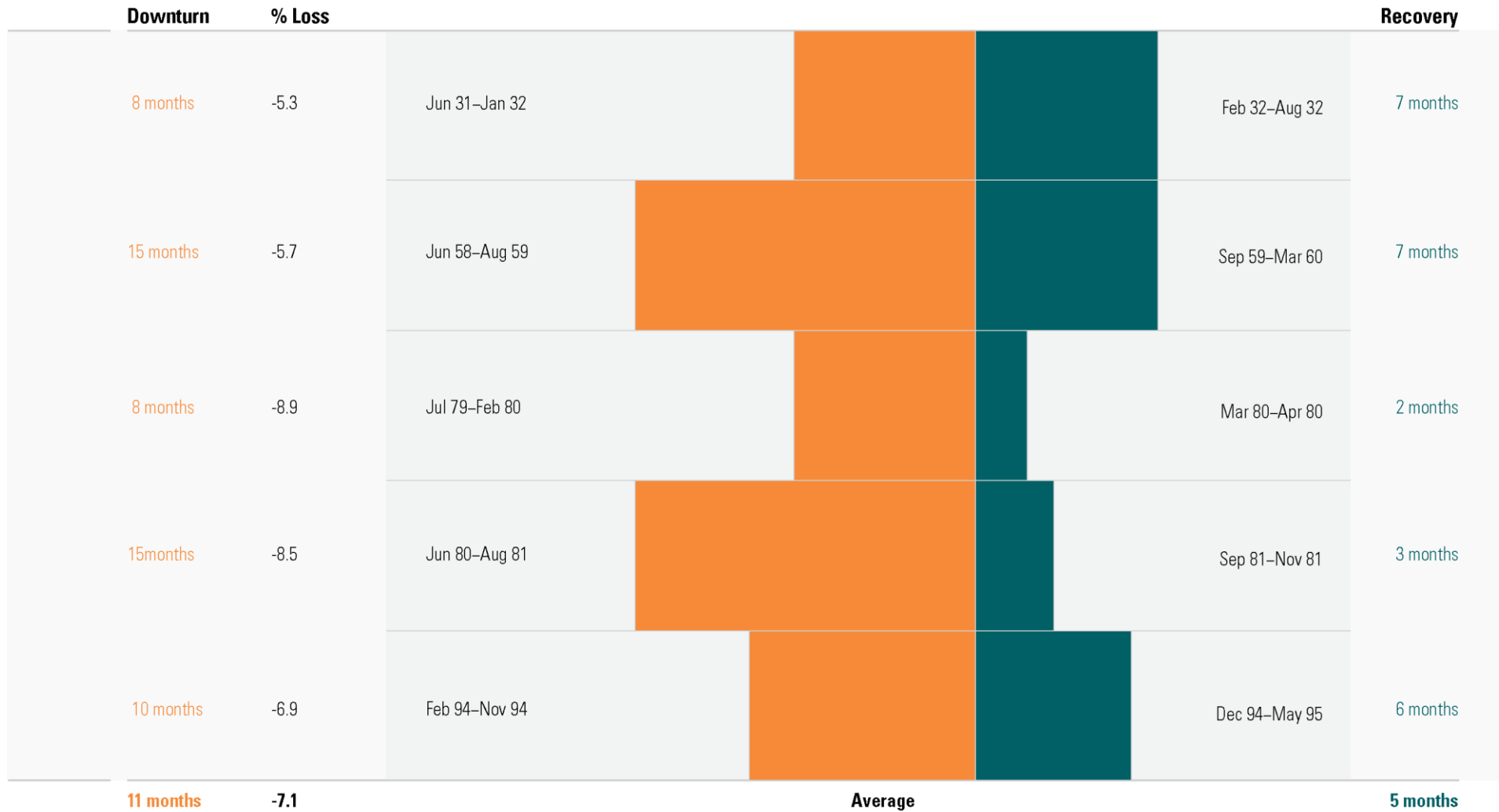


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# Intermediate-Term Government Bonds' Downturns and Recoveries

January 1926–December 2020

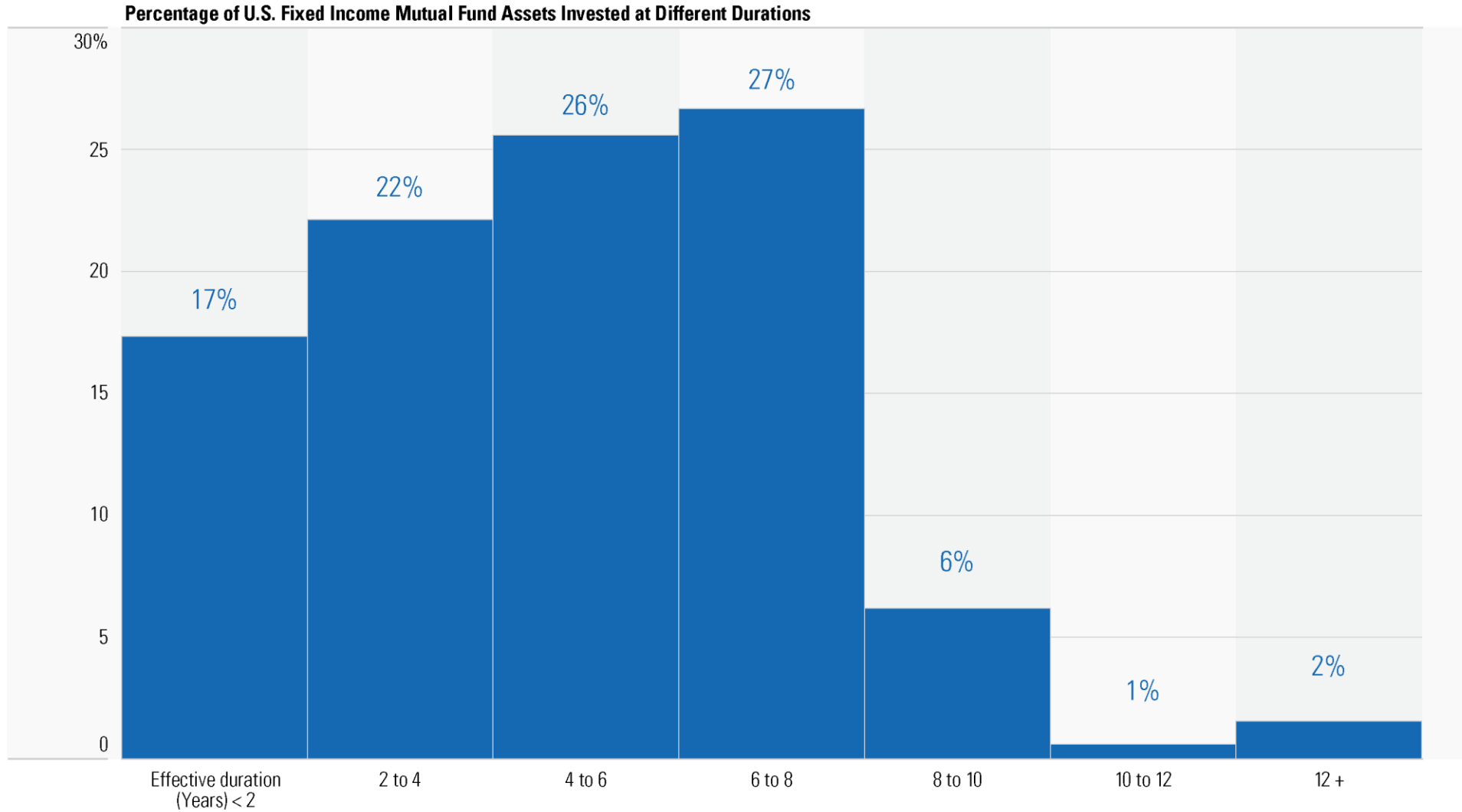


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# Fixed-Income Mutual Fund Assets by Duration

December 2020



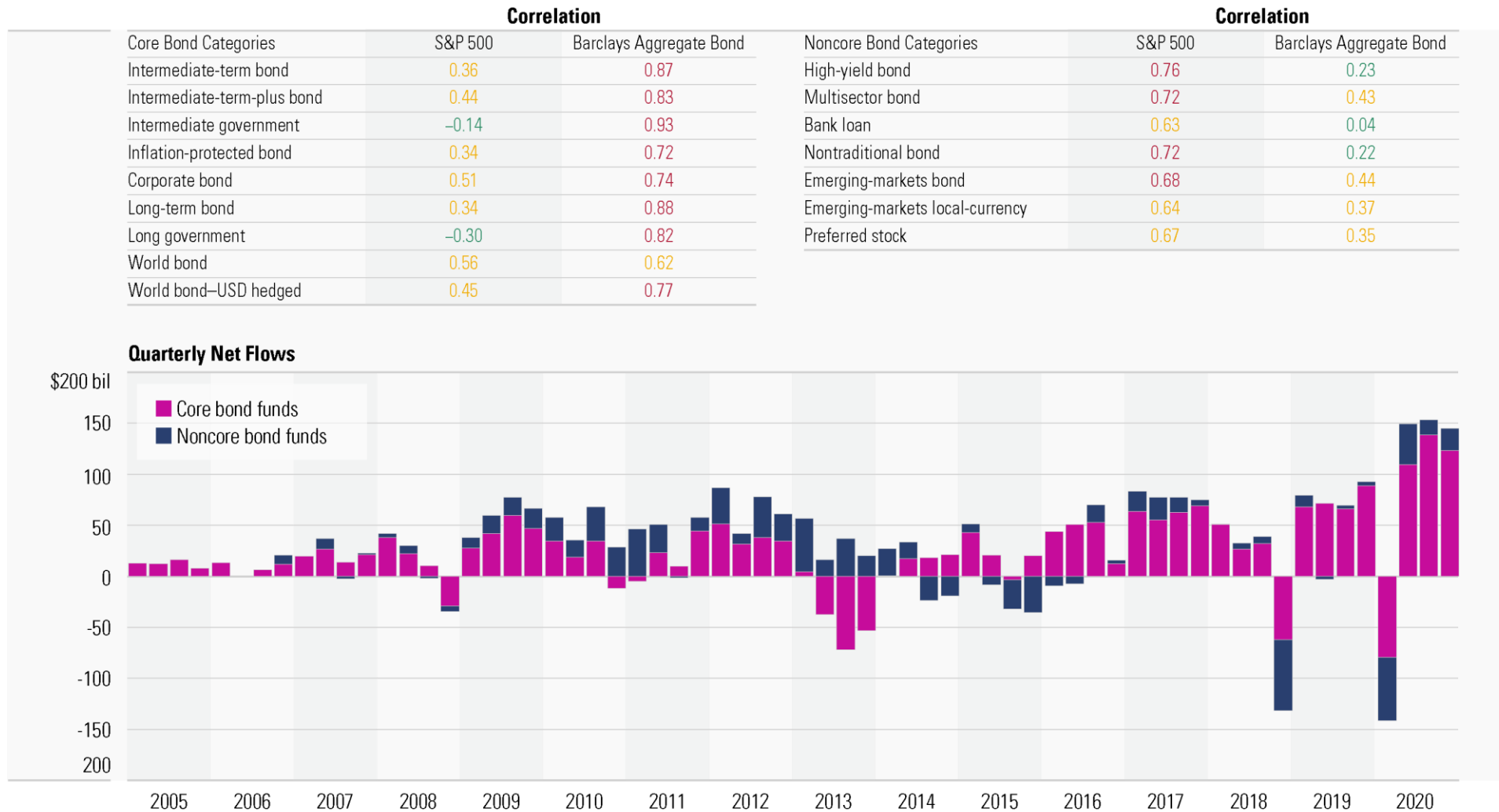
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# Core Versus Noncore Fixed Income

January 2005–December 2020 (quarterly)



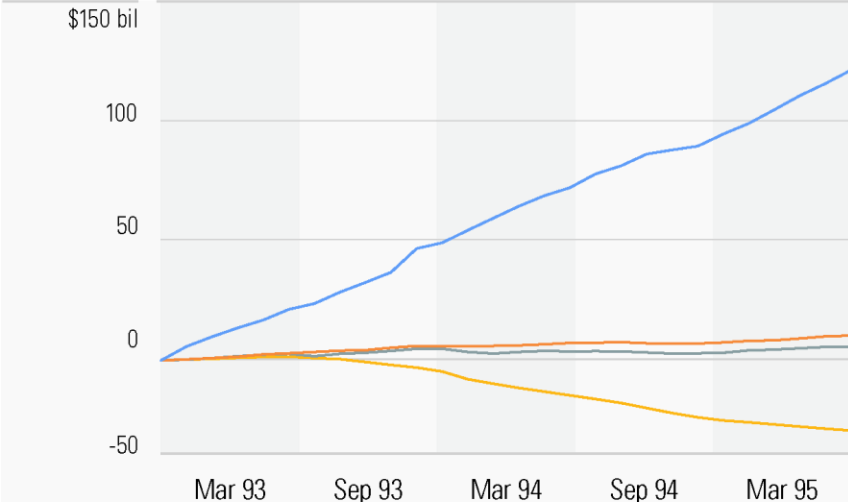
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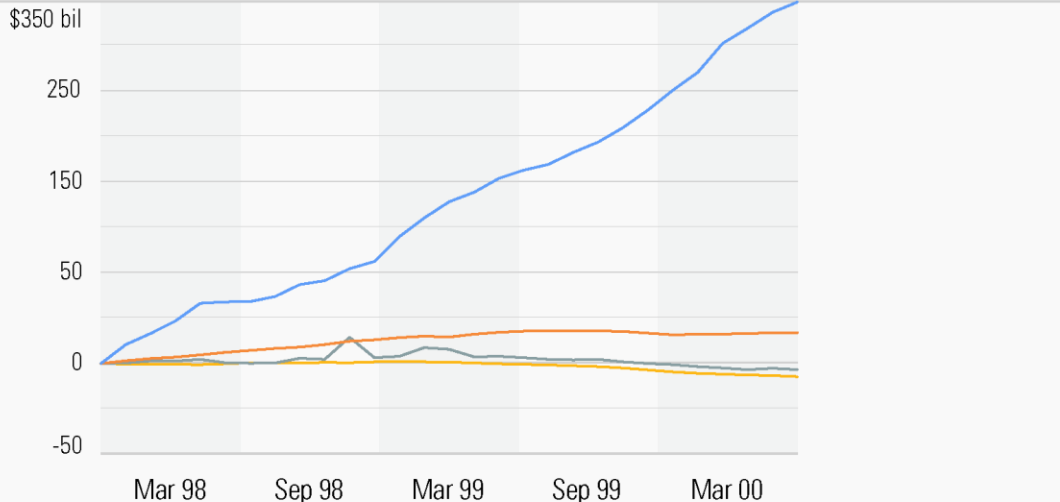
# Cumulative Flows During the Past Four Periods of Rising Interest Rates

January 1993 – December 2020

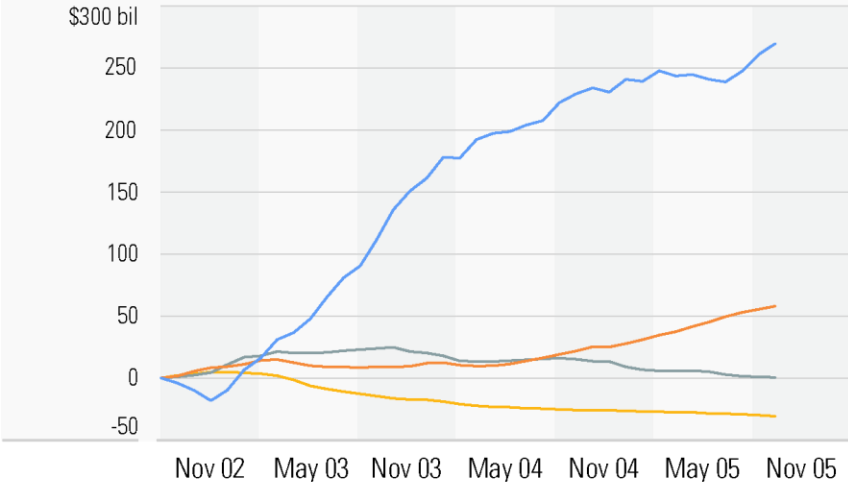
March 1993–June 1995



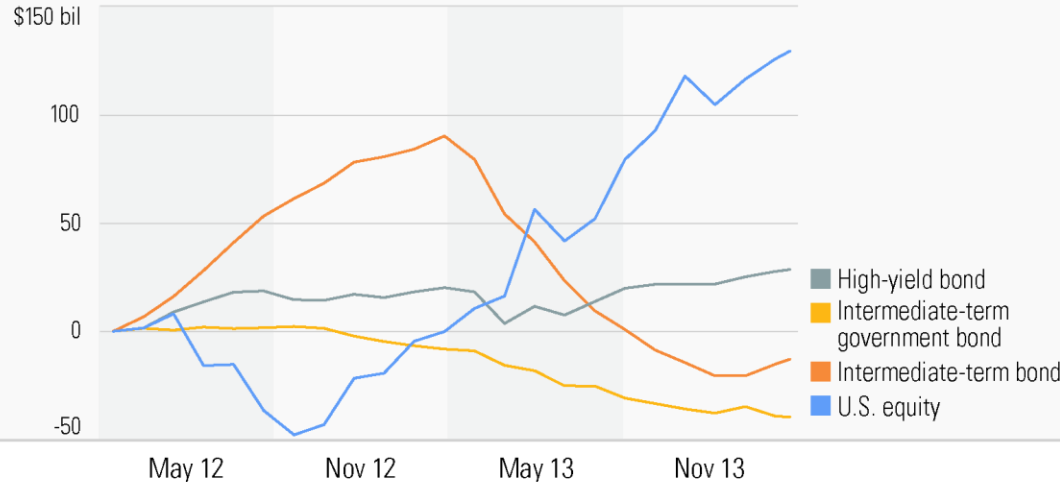
March 1998–July 2000



November 2002–December 2005



May 2012–March 2014

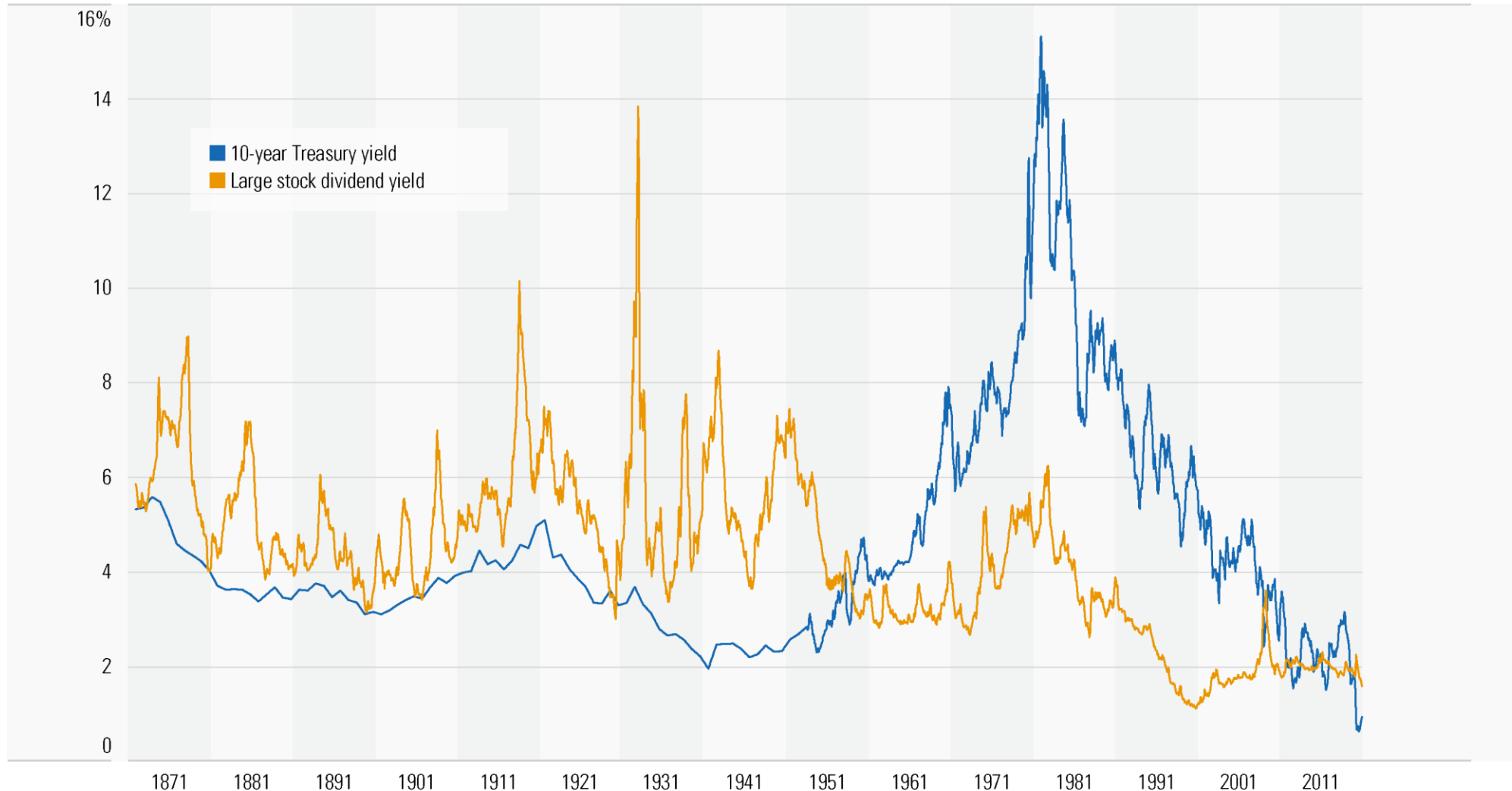


- High-yield bond
- Intermediate-term government bond
- Intermediate-term bond
- U.S. equity

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# Large-Stock Dividend Yield Versus 10-Year Treasury Yield

January 1871 – December 2020



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# Monetary Policy Classification System

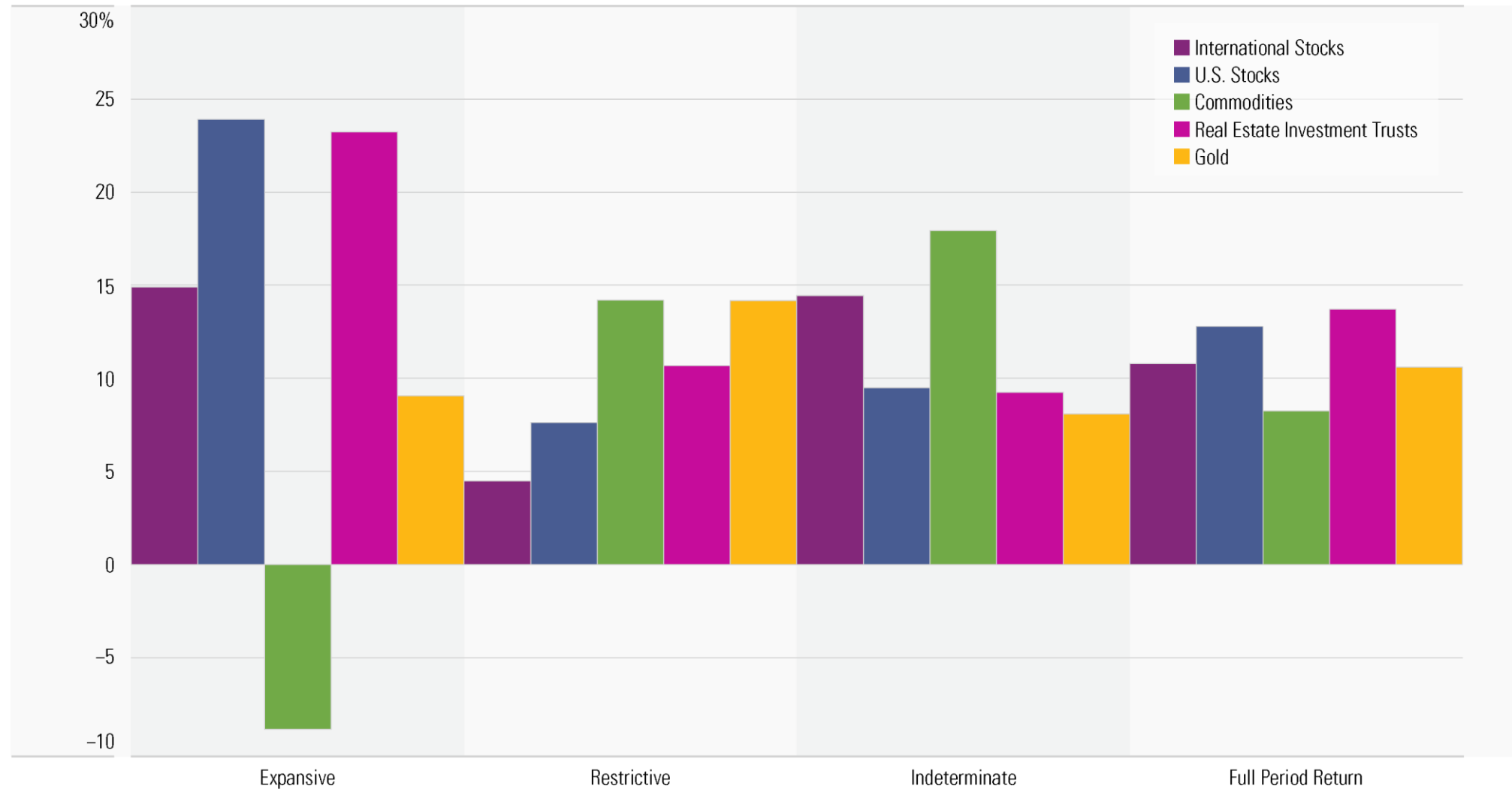
## The following slides examine periods of expansive, restrictive, or indeterminate monetary policy:

- ▶ **Expansive:** A period when the Federal Reserve decreased the discount rate and followed it up with actions that resulted in decreases in the federal-funds rate. Since 1955, Fed policy has followed an unconstrained or expansive policy approximately 30% of the time.
- ▶ **Restrictive:** A period when the Federal Reserve increased the discount rate and followed it up with actions that resulted in increases in the federal-funds rate. Since 1955, Fed policy has followed a constrained or restrictive policy approximately 33% of the time.
- ▶ **Indeterminate:** A period when the discount rate and the federal-funds rate are moving in opposite directions. The Federal Reserve's intentions can't be clearly determined. This classification captures the remaining 37% of months.

Source: Johnson, R., Jensen, G., & Garcia-Feijoo, L. 2015. Invest With the Fed: Maximizing Portfolio Performance by Following Federal Reserve Policy. (New York: McGraw-Hill Education).

# Average Performance of Asset Classes During Different Federal Reserve Regimes

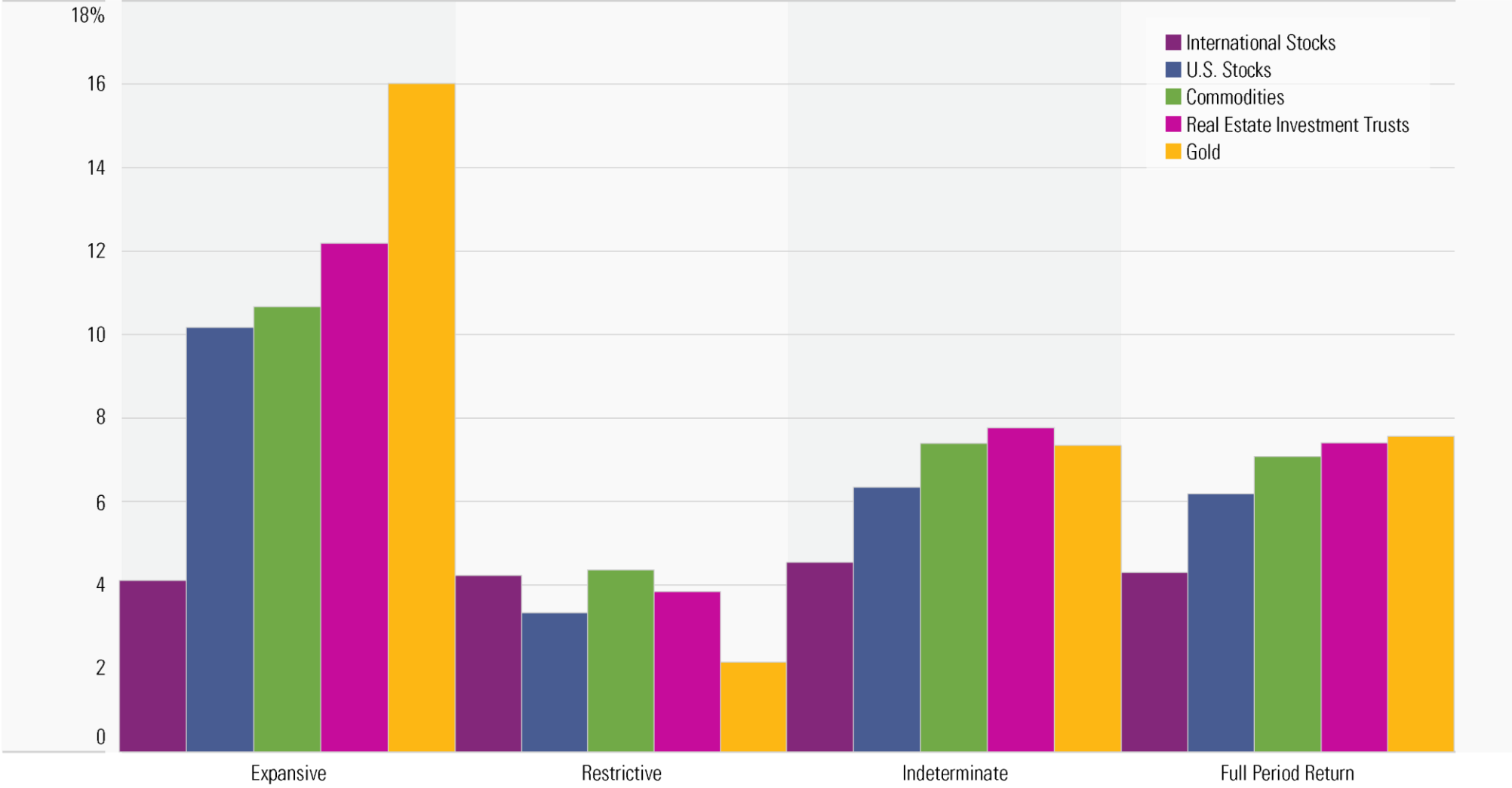
February 1972–December 2020



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# Average Performance of Fixed-Income Sectors During Different Federal Reserve Regimes

(May 1955–December 2020)



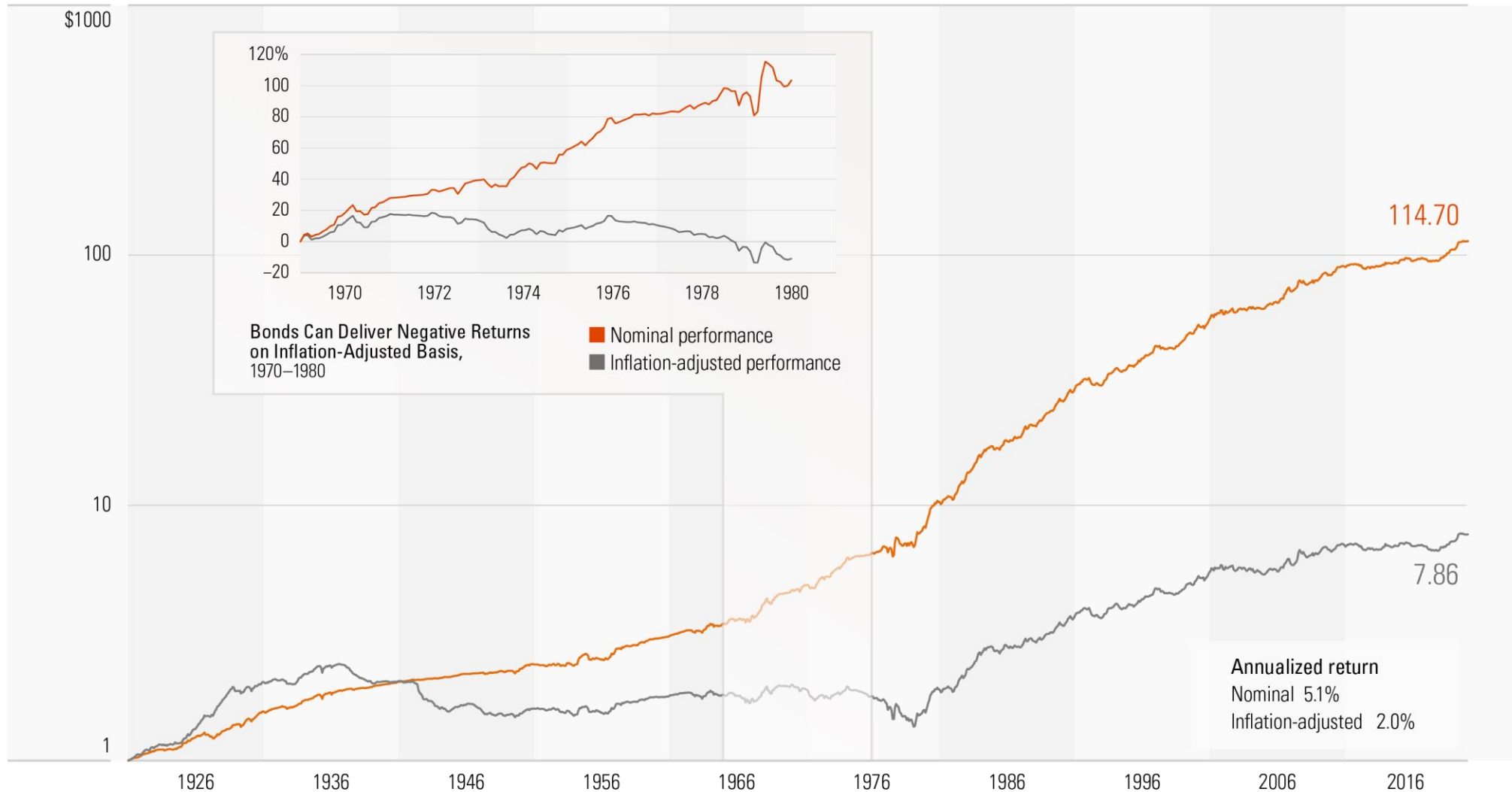
IR21

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# Inflation, Not Rising Rates, Is the Biggest Bond Threat in the Long Term

Intermediate-Term Government Bonds, January 1926–December 2020



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