Moving from cash to short-term bonds

Gene Tannuzzo, Global Head of Fixed Income

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The biggest area of growth for investors in 2023, without a doubt, has been safe haven cash-like assets. That includes cash deposits, money market funds and CDs. And the truth is, it's hard to argue with yields on those that instruments that haven't been available for two decades, over 5%. But it's also true that cash yields don't stay at the same level for a long period of time. That's, by definition, how they operate.

I think there's an opportunity as we move into 2024 to look at short-term bonds, those that are just slightly more risky than cash, maybe investing one to three to maybe five years, but can offer a yield that's even more attractive than what you get in cash. Where cash might be offering a yield just above 5%, these would be offering yields just above 7%, but are still primarily in high-quality bonds, those bonds that are going to withstand economic volatility. I think as investors evaluate their portfolios amidst the volatility they've experienced in bonds over the last two years, really the first step out the risk spectrum is the one I think that should be the easiest. And that's moving to those more attractively yielding, short-term investment-grade fixed-income securities.

There are risks associated with fixed-income investments, including credit risk, interest rate risk, and prepayment and extension risk. In general, bond prices rise when interest rates fall and vice versa. This effect is usually more pronounced for longer term securities. Yields may vary.

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