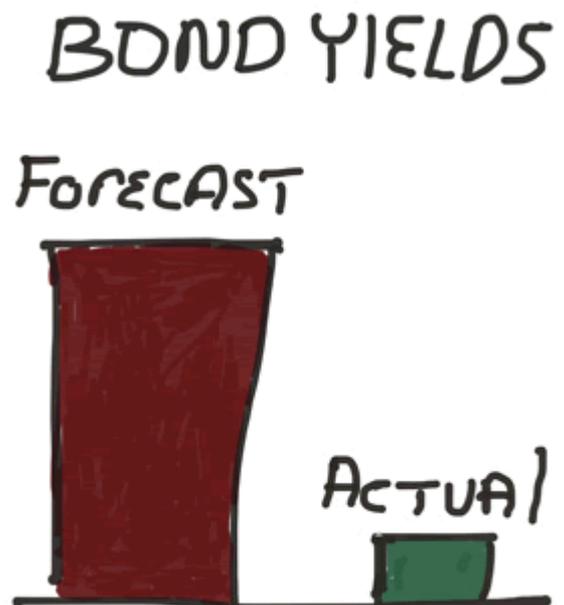


# Where Is the Bond Armageddon?



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On Wednesday, The Wall Street Journal published an article headlined, “**Rock-Bottom Bond Yields in Europe Hit All-Time Lows.**” Thursday morning, a headline on The Financial Times’ website declared: “**Relentless: Bund Yields Take Fresh Step Down.**” The headlines were written in reaction to what is occurring in global bond markets. Earlier today, yields on the 10-year German bund fell below 0.03%. Traders sent the yield on the 10-year British gilt down to a record low of 1.22%.



Here in the U.S., 10-year Treasuries trade with a yield of 1.68%. Expectations for the Federal Open Market Committee (FOMC) to raise its federal funds target rate by a quarter point to between 0.50% and 0.75% are now essentially nonexistent. The CME Group’s FedWatch shows the futures market pricing just a 4% probability of a hike occurring at the committee’s meeting next week. As far as the July FOMC meeting is concerned, the probability of a rate hike is a mere 27%.

This leads to the question: Where is the bond Armageddon? Weren’t interest rates and yields supposed to be higher—much higher—by now?

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- **Should You Maintain an Allocation to Bonds When Current Rates Are Low?** - Craig Israelsen says history shows an advantage to owning bonds in a diversified portfolio even when rates rise.
- **Defined-Maturity Funds: A Bond Alternative with Compromises** - These mature like bonds, but offer the ease of trading and professional management of funds.

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## Highlights from the *AAll Journal*

- **Why a New Allocation Approach Is Needed** - AAll founder and chairman James Cloonan explains in this month's AAll Journal why the traditional way of portfolio allocation is both costly and fails to consider how risk actually occurs in the real world.
- **Cash Flow and Allocation Strategies for Retirees** - Jane Bryant Quinn discusses how a reverse mortgage can help retirees take large withdrawals from their portfolios in the second part of my interview with her.

## AAll Sentiment Survey

Pessimism declined to a six-week low, while neutral sentiment remained above 40% for a 13th consecutive week. **More about this week's results.**

## What's Trending on AAll

1. **Uses and Misuses of Ben Graham-Style Investing**
2. **The Weiss Approach to Value in Blue-Chip Stocks**
3. **Investing's Odd Couple: Value and Momentum**

## The Week Ahead

Only two members of the S&P 500 are scheduled to report earnings: The Kroger Co. (**KR**) and Oracle Corp. (**ORCL**). Both will announce their results on Thursday.

As noted above, the Federal Reserve Open Market Committee (FOMC) will hold a two-day meeting, starting on Tuesday. The meeting statement and updated forecasts from committee members will be released on Wednesday afternoon at 2:00 ET. Chair Janet Yellen will hold her quarterly press conference at 2:30 ET.

Elsewhere on the economic calendar, May retail sales, May import and export prices and April business inventories will be released on Tuesday. Wednesday will feature the May Producer Price Index (PPI), the June Empire State manufacturing survey and May industrial production and capacity utilization. The May Consumer Price Index (CPI), the June Philadelphia Fed business outlook survey and the June housing market index will be released on Thursday. The week will conclude with the release of May housing starts and building permits on Friday.

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