

## Is this a good time to allocate to short-term bonds?

*Transcript of a video recorded on August 10, 2022*

The Federal Reserve is largely expected to be hiking interest rates for the remainder of the year and more slowly going into next year. The question we get is: “Is this a good time to be investing in short-term bonds?” And we think the answer is yes.

So, the market has anticipated those future rate hikes. It’s already in the shape of the yield curve, so short-term yields are actually higher than yields further out in the maturity spectrum. So, this is a very rare occurrence. It’s called an inversion where you’re actually being paid more to take less duration risk.

And some of the uncertainties in the short term have created what we believe are ample spread opportunities while staying in the short duration part of the market. Again, it’s an opportunity to take interest rate risk off the table without giving up yield compensation. And that’s one of the reasons that we believe that the short duration space is a target-rich environment right now.



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