

# Bond Market Watch

## August 31, 2016

### Yield and Total Returns

Ryan Labs Indexes	YTW	QTD	YTD	12M <sup>1</sup>	Ryan Labs Indexes	YTW	QTD	YTD	12M <sup>1</sup>
<b>RL 2 Year Indexes</b>					<b>RL 10 Year Indexes</b>				
TIPS	-0.27	-0.32	2.39	1.81	TIPS	0.19	0.36	7.75	6.15
Treasury (OTR)	0.80	-0.23	1.10	0.87	Treasury (OTR)	1.57	-0.55	7.38	7.36
Financials	1.75	0.40	2.85	3.36	Financials	3.28	2.00	9.32	11.11
Industrials	1.60	0.31	3.29	3.43	Industrials	3.13	1.42	12.68	13.79
Utilities	1.87	0.29	3.58	3.17	Utilities	3.23	1.70	13.02	12.41
AAA Corporate	1.08	-0.14	1.95	2.13	AAA Corporate	2.43	0.67	9.00	10.39
AA Corporate	1.30	0.03	2.29	2.73	AA Corporate	2.65	1.19	9.54	11.57
A Corporate	1.55	0.18	2.79	3.13	A Corporate	2.78	1.10	11.28	13.23
BBB Corporate	1.98	0.66	3.99	3.70	BBB Corporate	3.70	2.40	12.70	12.24
<b>RL 5 Year Indexes</b>					<b>RL 30 Year Indexes</b>				
TIPS	-0.09	-0.28	4.96	3.81	TIPS	0.58	4.15	18.83	15.36
Treasury (OTR)	1.18	-0.65	3.67	3.30	Treasury (OTR)	2.23	2.21	19.51	18.58
Financials	2.40	0.71	5.68	6.70	Financials	4.03	3.73	14.02	16.05
Industrials	2.27	0.76	6.84	7.33	Industrials	3.98	3.55	19.46	19.46
Utilities	2.47	0.83	8.59	7.56	Utilities	3.83	2.72	18.41	17.98
AAA Corporate	1.65	-0.06	4.45	4.62	AAA Corporate	3.22	2.68	16.85	19.53
AA Corporate	1.84	0.37	5.50	6.78	AA Corporate	3.46	2.80	16.72	19.16
A Corporate	2.08	0.53	6.03	6.82	A Corporate	3.72	3.15	17.19	18.19
BBB Corporate	2.76	1.25	7.76	7.32	BBB Corporate	4.51	4.25	20.90	18.53
<b>Barclays Indexes</b>					<b>Barclays Indexes</b>				
BC Aggregate	1.95	0.52	5.86	5.97	BC ABS	1.45	-0.07	2.47	2.35
BC Credit Long	3.96	3.36	17.75	17.39	BC MBS	2.04	0.32	3.44	3.95
BC High Yield	6.31	4.85	14.35	9.07	BC CMBS	2.08	0.80	6.77	6.72

See disclosures on the next page.

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Ryan Labs TIPS				
	Yield To Worst (%)	MDuration (Years)	Year To Date Returns (%)	Last 12 Month Returns (%)
2 Year TIPS	<b>-0.27</b>	<b>2.30</b>	<b>2.39</b>	<b>1.81</b>
5 Year TIPS	<b>-0.09</b>	<b>5.23</b>	<b>4.96</b>	<b>3.81</b>
10 Year TIPS	<b>0.19</b>	<b>9.16</b>	<b>7.75</b>	<b>6.15</b>
30 Year TIPS	<b>0.58</b>	<b>22.74</b>	<b>18.83</b>	<b>15.36</b>
RL TIPS Index	<b>0.07</b>	<b>8.55</b>	<b>7.04</b>	<b>5.65</b>

Market Implied Breakeven Inflation Expectation				
	Yield To Worst (%)		Inflation (%)	
	Nominals <sup>1</sup>	TIPS	BEI <sup>2</sup>	Current <sup>3</sup>
CPI (1 Month Lag)				<b>0.8</b>
2 Year	<b>0.80</b>	<b>-0.27</b>	<b>1.06</b>	
5 Year	<b>1.18</b>	<b>-0.09</b>	<b>1.27</b>	
10 Year	<b>1.57</b>	<b>0.19</b>	<b>1.38</b>	
30 Year	<b>2.23</b>	<b>0.58</b>	<b>1.65</b>	
RL Index	<b>1.44</b>	<b>0.07</b>	<b>1.37</b>	

1) Nominals represent conventional U.S. Treasury Bonds and Notes.

2) BEI = Breakeven Inflation Rate (Nominal yields minus TIPS yields). Widening BEI indicates that TIPS are outperforming nominal bonds. When realized inflation is greater than implied inflation, TIPS also outperform.

3) Current Inflation = Bureau of Labor Statistics, Year over Year Consumer Price Index (non-seasonally adjusted, all items, 1 month lag)

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Ryan Labs employs a disciplined investment process that seeks to add value through issue selection and sector rotation, not through interest rate anticipation. All of our strategies are actively managed in a total return framework.