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Total Return Review

Viewing the Markets from a Total Return Perspective

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How Bad Was July for Treasuries?

In July 2003:

- The **30-year Treasury** returned -11.03%
- The **10-year Treasury** returned -7.08%
- The **Lehman Treasury Index** returned -4.39%

Due to the huge selloff in the Treasury market this past month, we took a look at some of the worst monthly total returns in the history of the 30-year, the 10-year, and the Lehman Treasury Index. The results of our study are shown in the tables below.

The bond's total return for the month of July was the worst in its history. July's return of -11.03% crushed the previous record set in October 1979 of -7.78%.

The 10-year note's total return in July was not quite its worst in history. July's -7.08% total return was second only to February 1980 (-7.92%).

The Lehman Treasury Index returned -4.39% in July on a total return basis. Again, February 1980 was slightly worse, returning -4.91%.

How Bad Was July?

The six worst total return months in history

30-Year Bond	
Date	Return
7/31/2003	-11.03%
10/31/1979	-7.78%
1/31/1980	-7.66%
2/28/1999	-7.25%
2/28/1980	-6.49%
4/30/1987	-6.39%

Data Starts 1977

10-Year Note	
Date	Return
2/28/1980	-7.92%
7/31/2003	-7.08%
10/31/1979	-6.72%
2/28/1999	-4.22%
5/31/1986	-4.11%
4/30/1987	-3.92%

Data Starts 1978

Lehman Treasury Index	
Date	Return
2/28/1980	-4.91%
7/31/2003	-4.39%
10/31/1979	-4.04%
8/31/1980	-3.92%
12/31/1981	-2.64%
2/28/1999	-2.55%

Data Starts 1973

U. S. Fixed-Income Total Returns

	As of 7/31/03			Annualized Ending 7/31/03			
	MTD	QTD	YTD	1 Year	3 Years	5 Years	10 Years
Treasury Cash:	0.06%	0.06%	0.64%	1.34%	3.44%	4.09%	4.74%
3 Month	0.07%	0.07%	0.65%	1.36%	3.23%	4.02%	4.61%
6 Month	0.04%	0.04%	0.62%	1.37%	3.60%	4.12%	4.73%
Treasury Coupons:	-3.25%	-3.25%	-0.25%	5.23%	8.24%	6.20%	6.25%
2 Year	-0.76%	-0.76%	0.92%	3.36%	6.68%	5.61%	5.64%
5 Year	-3.58%	-3.58%	-0.13%	5.11%	8.87%	6.76%	6.31%
10 Year	-7.08%	-7.08%	-2.77%	4.80%	8.44%	5.97%	6.22%
30 Year	-11.03%	-11.03%	-5.90%	3.53%	6.85%	5.13%	6.33%
Treasury Strips:	-12.22%	-12.22%	-5.41%	5.41%	8.43%	6.90%	8.14%
5 Year	-4.06%	-4.06%	0.09%	5.79%	10.37%	7.91%	7.16%
10 Year	-9.38%	-9.38%	-2.84%	6.34%	10.80%	8.09%	8.05%
15 Year	-13.72%	-13.72%	-5.22%	6.17%	9.22%	7.28%	8.38%
20 Year	-16.35%	-16.35%	-8.53%	4.17%	7.04%	5.98%	8.79%
25 Year	-18.39%	-18.39%	-9.91%	3.95%	6.48%	5.16%	8.68%
Broad Indices							
Salomon "BIG"	-3.38%	-3.38%	0.49%	5.54%	8.51%	6.75%	6.79%
Lehman Aggregate	-3.36%	-3.36%	0.43%	5.41%	8.51%	6.77%	6.78%
Lehman Government/Credit	-4.19%	-4.19%	0.82%	7.11%	8.87%	6.89%	6.82%
Government Indices							
Lehman Government	-4.13%	-4.13%	-0.65%	4.45%	8.27%	6.72%	6.64%
Lehman Treasury	-4.39%	-4.39%	-0.82%	4.54%	8.07%	6.66%	6.61%
Lehman Agency	-3.67%	-3.67%	-0.37%	4.29%	8.78%	6.81%	6.74%
Agency Benchmarks							
2 Year	-0.40%	-0.40%	1.19%	3.54%	7.49%	N/A	N/A
5 Year	-4.68%	-4.68%	-0.62%	5.00%	9.92%	7.58%	N/A
10 Year	-8.59%	-8.59%	-2.73%	4.66%	10.34%	6.80%	N/A
30 Year	-12.68%	-12.68%	-6.22%	3.89%	9.74%	N/A	N/A
Other Indices							
Merrill Corporate	-4.22%	-4.22%	3.09%	11.30%	9.88%	7.01%	7.29%
Lehman Mortgage	-1.87%	-1.87%	-0.31%	2.56%	7.72%	6.46%	6.69%
Lehman Inflation Notes ("TIPS")	-4.62%	-4.62%	1.42%	8.27%	10.26%	8.96%	N/A
Merrill High Yield	-1.35%	-1.35%	16.28%	25.42%	5.38%	3.13%	6.69%
Merrill Municipal	-4.59%	-4.59%	-0.96%	3.26%	7.28%	5.42%	5.96%

Treasury Cash: Equal-weighted total-return avg. of the Treasury yield curve from 3 to 12 month maturities.

Treasury Coupons: Equal-weighted total-return avg. of the Treasury yield curve from 2 to 30 year maturities.

Treasury Strips: Equal-weighted total-return average of Treasury Strips from 1 year to 30 years.

Sources: Bloomberg, Ryan Labs, Lehman Brothers, Merrill Lynch, Salomon Smith Barney and Arbor Research & Trading

Total Return Comparisons: The "Bullet" versus "Barbells"

Portfolio Type*	As of 7/31/03					
	MTD	Diff.	QTD	Diff.	YTD	Diff.
Bullet (4.95 Duration)	-4.06%		-4.06%		0.09%	
5 yr and 10 yr	-4.09%	-0.03%	-4.09%	-0.03%	-0.52%	-0.61%
5 yr and 30 yr	-3.99%	0.07%	-3.99%	0.07%	-0.45%	-0.54%
2 yr and 10 yr	-3.89%	0.17%	-3.89%	0.17%	-0.91%	-1.00%
2 yr and 30 yr	-3.34%	0.72%	-3.34%	0.72%	-0.79%	-0.88%
Cash and 10 yr	-4.26%	-0.20%	-4.26%	-0.20%	-1.43%	-1.52%
Cash and 30 yr	-3.76%	0.30%	-3.76%	0.30%	-1.61%	-1.70%
Cash and 25 yr Strips	-3.54%	0.52%	-3.54%	0.52%	-1.42%	-1.51%

*This analysis compares the total return of the 5-Year Strip or the "bullet" to cash neutral, duration neutral barbells.

Its purpose is to quantify the effect of the yield curve on total return.

Sources: Bloomberg and Ryan Labs

World Fixed-Income Total Returns (in U.S. Dollars)

	in U.S. Dollars						
	As of 7/31/03			Annualized Ending 7/31/03			
	MTD	QTD	YTD	1 Year	3 Years	5 Years	10 Years
J. P. Morgan Government Bond Indices							
Country							
Canada	-5.18%	-5.18%	12.30%	20.59%	9.57%	7.85%	6.77%
France	-3.49%	-3.49%	6.20%	23.82%	14.46%	6.02%	7.34%
Germany	-3.44%	-3.44%	6.16%	23.35%	14.14%	5.90%	6.68%
Italy	-3.74%	-3.74%	6.24%	23.98%	14.83%	6.21%	9.11%
Japan	-0.61%	-0.61%	-0.59%	1.77%	-0.40%	6.17%	3.27%
United Kingdom	-4.40%	-4.40%	-2.57%	9.09%	8.55%	6.17%	8.97%
United States	-4.68%	-4.68%	-0.55%	4.75%	8.19%	6.73%	6.68%
Region							
Europe	-3.63%	-3.63%	8.85%	22.20%	13.81%	6.23%	7.92%
Global	-3.13%	-3.13%	3.72%	11.69%	8.34%	5.85%	6.26%
Global Non-United States	-2.62%	-2.62%	5.31%	14.18%	8.19%	5.43%	6.26%
J. P. Morgan Emerging Markets Bond Indices							
EMBI Plus	-3.73%	-3.73%	15.01%	37.61%	10.63%	10.31%	N/A
Region							
Latin	-3.56%	-3.56%	18.26%	46.36%	4.73%	6.39%	N/A
Non-Latin	-3.96%	-3.96%	10.74%	26.69%	23.71%	18.78%	N/A

World Fixed-Income Total Returns (in Local Currency)

	in Local Currency						
	As of 7/31/03			Annualized Ending 7/31/03			
	MTD	QTD	YTD	1 Year	3 Years	5 Years	10 Years
J. P. Morgan Government Bond Indices							
Country							
Canada	-1.72%	-1.72%	3.26%	7.19%	7.63%	6.40%	7.76%
France	-1.54%	-1.54%	1.29%	7.85%	7.27%	5.55%	7.10%
Germany	-1.48%	-1.48%	1.25%	7.44%	6.97%	5.41%	6.66%
Italy	-1.79%	-1.79%	1.33%	7.99%	7.62%	5.79%	9.81%
Japan	-0.22%	-0.22%	-0.09%	2.44%	2.82%	2.40%	4.71%
United Kingdom	-1.86%	-1.86%	-0.37%	6.02%	6.02%	6.55%	8.12%
United States	-4.68%	-4.68%	-0.55%	4.75%	8.19%	6.73%	6.68%
Region							
Europe	-1.60%	-1.60%	2.34%	7.78%	7.24%	5.82%	7.75%
Global	-1.99%	-1.99%	1.02%	5.53%	6.34%	5.29%	6.66%
Global Non-United States	-1.12%	-1.12%	1.64%	5.75%	5.58%	4.67%	N/A

Sources: Bloomberg and J. P. Morgan & Co. Incorporated (<http://www.jpmorgan.com/>)

U. S. Equity Total Returns

	As of 7/31/03			Annualized Ending 7/31/03			
	MTD	QTD	YTD	1 Year	3 Years	5 Years	10 Years
Broad Market							
Dow Jones Industrials ²	2.92%	2.92%	12.30%	8.34%	-2.31%	2.67%	12.39%
NASDAQ Composite ¹	6.94%	6.94%	30.27%	31.25%	-22.23%	-2.46%	9.17%
NASDAQ 100 ²	6.27%	6.27%	29.87%	32.92%	-29.21%	-1.42%	N/A
NYSE Composite ²	1.16%	1.16%	12.74%	9.46%	-4.52%	0.39%	N/A
Russell 2000 ⁴	6.25%	6.25%	25.26%	23.11%	-0.23%	3.95%	8.76%
S&P 500 (Capitalization Weighted) ³	1.76%	1.76%	13.73%	10.65%	-10.21%	-1.06%	10.28%
S&P 500 (Equal Weighted) ¹	2.65%	2.65%	19.27%	20.55%	3.26%	5.27%	12.17%
S&P 400 MidCap ³	3.55%	3.55%	16.39%	13.83%	1.63%	8.75%	13.07%
S&P 600 SmallCap ³	5.20%	5.20%	18.80%	18.12%	5.03%	6.46%	N/A
Wilshire 5000 ¹	2.41%	2.41%	15.64%	12.83%	-9.25%	-0.40%	9.79%
Interest Rate Sensitive							
PSE Electric Utility Index ²	-6.05%	-6.05%	8.83%	5.00%	1.34%	1.91%	N/A
KBW Bank Stock Index ²	3.98%	3.98%	21.00%	21.16%	6.31%	3.21%	N/A
NYSE Financial Index ²	3.94%	3.94%	17.18%	13.89%	3.81%	3.61%	N/A
Other Indices							
Morgan Stanley Consumer Index ²	-0.41%	-0.41%	3.99%	3.09%	1.29%	1.85%	N/A
Morgan Stanley Cyclical Index ²	8.30%	8.30%	20.64%	10.40%	7.43%	4.55%	N/A
S&P 500/Barra Growth ³	1.31%	1.31%	12.70%	8.89%	-15.78%	-2.79%	10.61%
S&P 500/Barra Value ³	2.22%	2.22%	14.78%	12.50%	-4.55%	0.05%	9.49%
Gold/Silver Stock Index ²	3.17%	3.17%	6.70%	36.58%	18.95%	7.08%	N/A

Sources: ¹ Wilshire Associates Incorporated (<http://www.wilshire.com>) and Ryan Labs Inc.

² Bloomberg L.P. and Ryan Labs Inc.

³ BARRA, Inc. (<http://www.barra.com>) and Standard & Poors (<http://www.spglobal.com>)

⁴ Frank Russell Company (<http://www.russell.com>)

Commodity Total Returns

	As of 7/31/03			Annualized Ending 7/31/03			
	MTD	QTD	YTD	1 Year	3 Years	5 Years	10 Years
Commodity Total Return Indices							
Reuters/CRB ¹	0.42%	0.42%	1.93%	11.60%	1.85%	0.83%	2.50%
Goldman Sachs Commodity ²	0.71%	0.71%	8.59%	24.20%	6.01%	11.94%	5.77%
Rogers International Commodities ³	2.71%	2.71%	14.03%	28.23%	10.80%	14.72%	10.97%
S&P Commodity ⁴	-1.16%	-1.16%	5.66%	20.57%	3.96%	4.30%	4.64%

Sources: ¹ Reuters/CRB (<http://www.crbindex.com/crbindex/>)

² Goldman Sachs (<http://www.gs.com/gsci/>)

³ Beeland Management Co., L.L.C.

⁴ Standard & Poor's (http://www.spglobal.com/indexmaincommodity_data.html)

World Equity Total Returns (in U.S. Dollars)

	in U.S. Dollars						
	As of 7/31/03			Annualized Ending 7/31/03			
	MTD	QTD	YTD	1 Year	3 Years	5 Years	10 Years
Morgan Stanley Capital International Indices							
Country							
Canada	0.34%	0.34%	25.08%	26.14%	-10.19%	5.70%	9.36%
France	1.77%	1.77%	13.79%	8.59%	-13.62%	-2.44%	7.82%
Germany	5.92%	5.92%	28.59%	8.64%	-14.85%	-8.60%	6.86%
Italy	-0.26%	-0.26%	16.60%	18.88%	-7.10%	-3.51%	8.34%
Japan	4.06%	4.06%	7.24%	-4.32%	-16.35%	-2.79%	-5.76%
United Kingdom	0.62%	0.62%	8.65%	4.76%	-7.64%	-3.93%	7.46%
United States	1.86%	1.86%	14.19%	10.61%	-10.99%	-1.45%	10.34%
Region							
World Index	2.05%	2.05%	13.73%	9.32%	-11.15%	-2.27%	6.31%
World Index (Free)	2.05%	2.05%	13.73%	9.32%	-11.15%	-2.28%	6.31%
EAFE	2.44%	2.44%	12.52%	6.76%	-11.25%	-3.42%	2.98%
EAFE (Free)	2.44%	2.44%	12.52%	6.76%	-11.25%	-3.44%	2.97%
Emerging Markets (Free)	6.26%	6.26%	23.41%	23.01%	-3.44%	3.13%	1.83%

World Equity Total Returns (in Local Currency)

	in Local Currency						
	As of 7/31/03			Annualized Ending 7/31/03			
	MTD	QTD	YTD	1 Year	3 Years	5 Years	10 Years
Morgan Stanley Capital International Indices							
Country							
Canada	3.99%	3.99%	11.50%	12.12%	-11.78%	4.27%	10.38%
France	3.83%	3.83%	6.09%	-5.42%	-19.04%	-2.88%	7.55%
Germany	8.07%	8.07%	19.89%	-5.37%	-20.20%	-9.03%	6.83%
Italy	1.76%	1.76%	8.71%	3.55%	-12.94%	-3.89%	9.01%
Japan	4.47%	4.47%	8.94%	-3.69%	-13.65%	-6.24%	-4.41%
United Kingdom	11.38%	11.38%	17.33%	9.77%	-7.49%	-2.13%	7.38%
United States	1.86%	1.86%	14.19%	10.61%	-10.99%	-1.45%	10.34%
Region							
World Index	2.88%	2.88%	12.07%	5.90%	-12.21%	-2.66%	6.58%
World Index (Free)	2.88%	2.88%	12.07%	5.90%	-12.21%	-2.67%	6.57%
EAFE	4.28%	4.28%	9.28%	-0.57%	-13.87%	-4.49%	3.41%
EAFE (Free)	4.28%	4.28%	9.28%	-0.57%	-13.87%	-4.51%	3.39%
Emerging Markets (Free)	6.28%	6.28%	18.18%	15.64%	-0.54%	7.13%	13.79%

Sources: Bloomberg and Morgan Stanley Capital International (<http://www.msdata.com/>)

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