

# Bianco Research L.L.C.

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## Total Return Review

Viewing the Markets from a Total Return Perspective

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### The Long Bond Returns More Than 10% in January

The table on the right ranks the 10 highest returning months for the long bond. We used Ryan Labs total return data which goes back to May 1973 (or exactly 500 months) to calculate monthly total returns. In January the 30-year bond returned 10.71%, which ranks as the 7<sup>th</sup> best month all-time. (Note the table on page 2 shows the 30-year returned 10.62%. It uses Merrill/BofA data which goes back to 1987.)

The table also shows the returns in the month following these top 10 months. Even after some of the highest returning months ever, bonds averaged 1.95% in the ensuing month, well above the 0.77% for all periods.

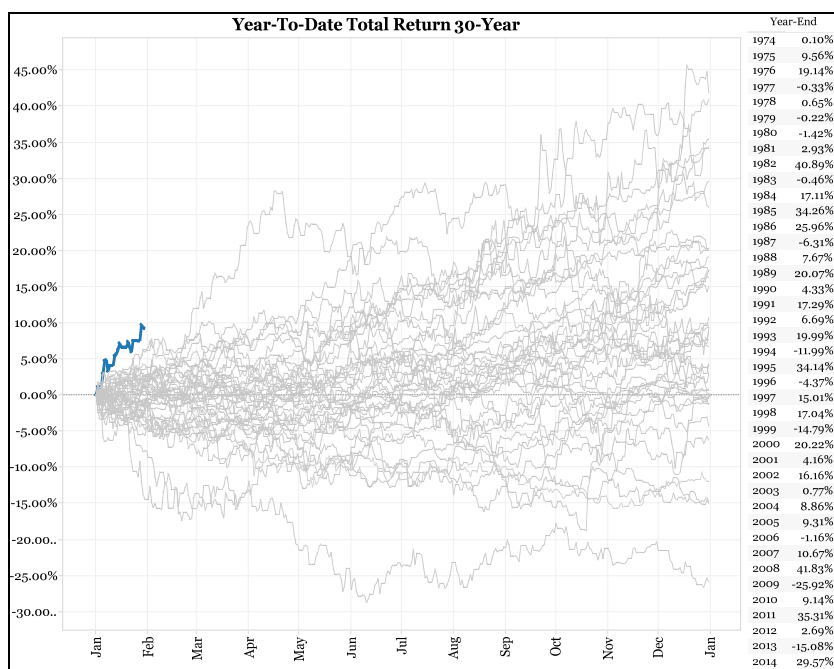
The chart below shows the year-to-date total return for all years back to 1974 (gray lines). The thick blue line is 2015. Note that it is off to its best start in history.

Any way you cut it, the 30-year continues its historic run and inflicts the maximum possible pain on bond bears.

#### The Best 30-Year Total Return Months

All Months Back to May 1973 (500 Months)

Date	Return	Next Month
11/28/2008	16.24%	15.48%
12/31/2008	15.48%	-14.48%
9/30/2011	13.46%	-4.80%
4/30/1980	13.45%	3.37%
11/30/1981	13.06%	-4.50%
2/28/1986	11.81%	9.88%
1/30/2015	10.71%	???
8/31/2011	10.15%	13.46%
3/31/1986	9.88%	0.81%
5/31/2012	9.46%	-1.71%
Average	12.55%	1.95%
Pct. Positive	100%	56%
Pct. Negative	0%	44%
All Periods		0.77%
Standard Deviation		3.60%



## U.S. Fixed Income Total Returns

	As of 1/31/2015			Annualized Ending 1/31/2015			
	MTD	QTD	YTD	1 Year	3 Years	5 Years	10 Years
<b>Treasury Cash:</b>	<b>0.02%</b>	<b>0.02%</b>	<b>0.02%</b>	<b>0.06%</b>	<b>0.09%</b>	<b>0.12%</b>	<b>1.59%</b>
3 Month	0.00%	0.00%	0.00%	0.03%	0.07%	0.09%	1.53%
6 Month	0.03%	0.03%	0.03%	0.13%	0.17%	0.22%	1.84%
<b>Treasury Coupons:</b>	<b>4.49%</b>	<b>4.49%</b>	<b>4.49%</b>	<b>12.44%</b>	<b>3.43%</b>	<b>6.13%</b>	<b>5.62%</b>
2 Year	0.50%	0.50%	0.50%	1.02%	0.57%	0.95%	2.65%
5 Year	2.38%	2.38%	2.38%	3.98%	1.44%	3.77%	4.51%
10 Year	4.61%	4.61%	4.61%	12.25%	3.33%	6.59%	5.52%
30 Year	10.62%	10.62%	10.62%	34.79%	7.84%	12.33%	8.16%
<b>Treasury Strips:</b>	<b>7.42%</b>	<b>7.42%</b>	<b>7.42%</b>	<b>26.57%</b>	<b>6.81%</b>	<b>11.72%</b>	<b>9.05%</b>
5 Year	2.56%	2.56%	2.56%	4.82%	1.84%	4.31%	5.18%
10 Year	5.15%	5.15%	5.15%	14.97%	4.60%	9.14%	7.69%
15 Year	6.73%	6.73%	6.73%	25.82%	6.91%	12.37%	8.88%
20 Year	9.31%	9.31%	9.31%	37.75%	8.96%	15.02%	9.83%
25 Year	13.06%	13.06%	13.06%	50.28%	10.99%	17.59%	10.62%
<b>Broad Indices</b>							
Merrill Lynch Domestic Master	2.24%	2.24%	2.24%	7.06%	3.22%	4.63%	4.95%
Barclay's (Lehman) Aggregate	2.10%	2.10%	2.10%	6.61%	3.08%	4.58%	4.87%
Barclay's (Lehman) Government/Credit	2.64%	2.64%	2.64%	7.22%	3.29%	4.92%	4.90%
<b>Government Indices</b>							
Barclay's (Lehman) Government	2.50%	2.50%	2.50%	6.17%	2.09%	3.92%	4.48%
Barclay's (Lehman) Treasury	2.59%	2.59%	2.59%	6.32%	2.10%	4.11%	4.57%
Barclay's (Lehman) Agency	1.54%	1.54%	1.54%	4.27%	1.77%	2.79%	3.97%
<b>Agency Benchmarks</b>							
2 Year	0.29%	0.29%	0.29%	0.73%	1.24%	1.42%	3.01%
5 Year	1.90%	1.90%	1.90%	4.37%	2.03%	3.95%	4.97%
10 Year	4.25%	4.25%	4.25%	11.87%	4.28%	6.35%	6.26%
30 Year	5.28%	5.28%	5.28%	18.84%	6.45%	9.52%	7.43%
<b>Other Indices</b>							
Merrill Corporate	2.74%	2.74%	2.74%	8.52%	5.54%	6.76%	5.72%
Barclay's (Lehman) Mortgage	0.85%	0.85%	0.85%	5.32%	2.52%	3.63%	4.78%
Barclay's (Lehman) Inflation Notes ("TIPS")	3.15%	3.15%	3.15%	4.83%	0.71%	4.42%	4.69%
Merrill High Yield	0.69%	0.69%	0.69%	2.45%	7.59%	8.68%	7.68%
Merrill Municipal	1.80%	1.80%	1.80%	9.27%	4.31%	5.66%	4.97%

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, Barclay's (Lehman Brothers), Merrill Lynch and Arbor Research & Trading

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

Portfolio Type*	As of 1/31/2015					
	MTD	Diff.	QTD	Diff.	YTD	Diff.
<b>Bullet (4.97 Duration)</b>	<b>2.56%</b>		<b>2.56%</b>		<b>2.56%</b>	
5 yr and 10 yr	2.53%	-0.03%	2.53%	-0.03%	2.53%	-0.03%
5 yr and 30 yr	2.52%	-0.03%	2.52%	-0.03%	2.52%	-0.03%
2 yr and 10 yr	2.34%	-0.22%	2.34%	-0.22%	2.34%	-0.22%
2 yr and 30 yr	2.18%	-0.38%	2.18%	-0.38%	2.18%	-0.38%
Cash and 10 yr	2.57%	0.01%	2.57%	0.01%	2.57%	0.01%
Cash and 30 yr	2.51%	-0.05%	2.51%	-0.05%	2.51%	-0.05%
Cash and 25 yr Strips	2.53%	-0.02%	2.53%	-0.02%	2.53%	-0.02%

\*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 Merrill Lynch

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

	in U.S. Dollars						
	As of 1/31/2015			Annualized Ending 1/31/2015			
	MTD	QTD	YTD	1 Year	3 Years	5 Years	10 Years
<b>J. P. Morgan Government Bond Indices</b>							
<b>Country</b>							
Canada	-4.52%	-4.52%	-4.52%	-3.18%	-3.93%	1.68%	5.09%
France	-4.39%	-4.39%	-4.39%	-5.70%	2.72%	2.20%	3.87%
Germany	-4.59%	-4.59%	-4.59%	-7.40%	-0.19%	1.52%	3.52%
Italy	-4.55%	-4.55%	-4.55%	-2.99%	7.93%	3.21%	4.17%
Japan	2.07%	2.07%	2.07%	-9.79%	-10.93%	-2.49%	0.85%
United Kingdom	1.59%	1.59%	1.59%	7.61%	3.98%	6.72%	4.24%
United States	2.91%	2.91%	2.91%	7.42%	2.37%	4.35%	4.74%
<b>Region</b>							
Europe	-3.27%	-3.27%	-3.27%	-2.54%	3.57%	3.29%	4.06%
Global	0.33%	0.33%	0.33%	-0.64%	-1.19%	2.10%	3.52%
Global Non-United States	-1.34%	-1.34%	-1.34%	-5.41%	-3.27%	0.79%	2.86%
<b>J. P. Morgan Emerging Markets Bond Indices</b>							
EMBI Plus	0.56%	0.56%	0.56%	8.52%	4.42%	7.16%	7.68%
<b>Region</b>							
Latin	-0.84%	-0.84%	-0.84%	7.00%	2.78%	7.05%	7.47%
Non-Latin	1.54%	1.54%	1.54%	9.34%	5.71%	7.04%	7.77%

## World Fixed-Income Total Returns (in Local Currency)

	in Local Currency						
	As of 1/31/2015			Annualized Ending 1/31/2015			
	MTD	QTD	YTD	1 Year	3 Years	5 Years	10 Years
<b>J. P. Morgan Government Bond Indices</b>							
<b>Country</b>							
Canada	4.52%	4.52%	4.52%	10.11%	3.88%	5.28%	5.32%
France	2.53%	2.53%	2.53%	12.69%	7.93%	6.55%	5.38%
Germany	2.31%	2.31%	2.31%	10.66%	4.87%	5.84%	5.02%
Italy	2.35%	2.35%	2.35%	15.93%	13.41%	7.61%	5.69%
Japan	0.00%	0.00%	0.00%	3.90%	2.87%	2.70%	2.14%
United Kingdom	5.46%	5.46%	5.46%	17.75%	5.71%	8.12%	6.64%
United States	2.91%	2.91%	2.91%	7.42%	2.37%	4.35%	4.74%
<b>Region</b>							
Europe	2.99%	2.99%	2.99%	14.44%	8.13%	7.03%	5.61%
Global	2.31%	2.31%	2.31%	9.20%	4.58%	4.81%	4.20%
Global Non-United States	1.92%	1.92%	1.92%	10.21%	5.81%	5.14%	4.14%

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

## U. S. Equity Total Returns

	As of 1/31/2015			Annualized Ending 1/31/2015			
	MTD	QTD	YTD	1 Year	3 Years	5 Years	10 Years
<b>Broad Market</b>							
Dow Jones Industrials <sup>2</sup>	-3.58%	-3.58%	-3.58%	11.88%	13.55%	14.15%	7.75%
NASDAQ Composite <sup>1</sup>	-2.06%	-2.06%	-2.06%	14.37%	19.75%	18.10%	9.58%
NASDAQ 100 <sup>2</sup>	-2.03%	-2.03%	-2.03%	19.32%	20.52%	20.70%	11.66%
Russell 1000 <sup>4</sup>	-2.75%	-2.75%	-2.75%	13.76%	17.62%	15.84%	7.93%
Russell 2000 <sup>4</sup>	-3.22%	-3.22%	-3.22%	4.41%	15.27%	15.66%	7.87%
Russell 3000 <sup>4</sup>	-2.78%	-2.78%	-2.78%	12.99%	17.43%	15.83%	7.93%
S&P 500 (Capitalization Weighted) <sup>3</sup>	-3.00%	-3.00%	-3.00%	14.19%	17.44%	15.58%	7.60%
S&P 500 (Equal Weighted) <sup>1</sup>	-2.85%	-2.85%	-2.85%	14.63%	19.05%	17.48%	9.61%
S&P 400 MidCap <sup>3</sup>	-1.12%	-1.12%	-1.12%	10.85%	17.13%	17.10%	9.89%
S&P 600 SmallCap <sup>3</sup>	-3.50%	-3.50%	-3.50%	6.13%	16.53%	17.37%	8.95%
Wilshire 5000 <sup>1</sup>	-2.77%	-2.77%	-2.77%	13.17%	17.29%	15.71%	7.98%
<b>Interest Rate Sensitive</b>							
PSE Electric Utility Index <sup>2</sup>	2.50%	2.50%	2.50%	28.12%	14.85%	14.08%	15.63%
KBW Bank Stock Index <sup>2</sup>	-10.02%	-10.02%	-10.02%	1.10%	18.54%	9.40%	-2.00%
S&P 500 Financial Index <sup>2</sup>	-6.90%	-6.90%	-6.90%	11.23%	18.57%	11.41%	-0.61%
<b>Other Indices</b>							
S&P 500/Barra Growth <sup>3</sup>	-1.67%	-1.67%	-1.67%	16.38%	16.75%	16.05%	8.23%
S&P 500/Barra Value <sup>3</sup>	-4.43%	-4.43%	-4.43%	11.81%	16.72%	14.30%	6.53%
Gold/Silver Stock Index <sup>2</sup>	15.55%	15.55%	15.55%	-11.40%	-25.32%	-10.33%	-0.13%

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

<sup>2</sup> Bloomberg L.P. and Ryan Labs Inc.

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

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

## Commodity Total Returns

	As of 1/31/2015			Annualized Ending 1/31/2015			
	MTD	QTD	YTD	1 Year	3 Years	5 Years	10 Years
<b>Commodity Total Return Indices</b>							
Reuters/Jefferies CRB <sup>1</sup>	-4.83%	-4.83%	-4.83%	-22.76%	-11.20%	-3.77%	-1.25%
S&P GSCI <sup>2</sup>	-7.50%	-7.50%	-7.50%	-37.05%	-15.71%	-6.46%	-6.14%
Dow Jones-UBS index	-3.34%	-3.34%	-3.34%	-20.02%	-11.18%	-4.74%	-2.29%
Rogers International Commodities <sup>3</sup>	-9.41%	-9.41%	-9.41%	-27.75%	-9.90%	-2.05%	-0.22%

Sources: <sup>1</sup> Reuters/Jefferies CRB (<http://www.jefferies.com>)

<sup>2</sup> S&P GSCI (<http://www2.standardandpoors.com>)

<sup>3</sup> Beeland Management Co., L.L.C.

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

	in U.S. Dollars						
	As of 1/31/2015			Annualized Ending 1/31/2015			
	MTD	QTD	YTD	1 Year	3 Years	5 Years	10 Years
<b>Morgan Stanley Capital International Indices</b>							
<b>Country</b>							
Canada	-8.27%	-8.27%	-8.27%	-2.26%	1.15%	4.74%	7.62%
France	0.73%	0.73%	0.73%	-3.56%	10.86%	4.76%	4.47%
Germany	1.84%	1.84%	1.84%	-3.39%	13.24%	9.68%	7.90%
Italy	0.01%	0.01%	0.01%	-9.47%	5.61%	-1.78%	-1.90%
Japan	2.34%	2.34%	2.34%	2.48%	9.16%	5.77%	2.92%
United Kingdom	-1.01%	-1.01%	-1.01%	-2.10%	8.00%	7.76%	4.61%
United States	-2.82%	-2.82%	-2.82%	14.03%	17.45%	15.67%	7.78%
<b>Region</b>							
World Index	-1.79%	-1.79%	-1.79%	7.58%	13.55%	11.35%	6.66%
EAFE	0.50%	0.50%	0.50%	0.01%	9.82%	6.87%	5.16%
Emerging Markets (Free)	0.61%	0.61%	0.61%	5.61%	0.94%	3.41%	8.81%

## World Equity Total Returns (in Local Currency)

	in Local Currency						
	As of 1/31/2015			Annualized Ending 1/31/2015			
	MTD	QTD	YTD	1 Year	3 Years	5 Years	10 Years
<b>Morgan Stanley Capital International Indices</b>							
<b>Country</b>							
Canada	0.42%	0.42%	0.42%	11.16%	9.38%	8.45%	7.86%
France	8.02%	8.02%	8.02%	15.25%	16.48%	9.22%	5.99%
Germany	9.20%	9.20%	9.20%	15.45%	18.99%	14.35%	9.46%
Italy	7.25%	7.25%	7.25%	8.18%	10.96%	2.41%	-0.47%
Japan	0.26%	0.26%	0.26%	18.04%	26.08%	11.39%	4.23%
United Kingdom	2.77%	2.77%	2.77%	7.12%	9.79%	9.16%	7.02%
United States	-2.82%	-2.82%	-2.82%	14.03%	17.45%	15.67%	7.78%
<b>Region</b>							
World Index	-0.52%	-0.52%	-0.52%	13.48%	16.66%	12.55%	6.91%
EAFE	3.01%	3.01%	3.01%	13.40%	16.59%	9.64%	6.05%
Emerging Markets (Free)	1.43%	1.43%	1.43%	12.04%	6.69%	6.44%	10.31%

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

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