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Bond Market Outlook: Yields Likely to Stay Low in 2021

It could be a challenging year ahead for bond investors.

MARKET PARTICIPANTS AND strategists say investors should expect a challenging yield environment this year as the Federal Reserve is expected to keep rates at historically low levels – likely keeping a lid on the yields of the safest fixed-income investment, U.S. Treasurys.

It's possible that income-seeking investors may need to accept a little more risk if they want more yield. That means considering dividend-paying stocks or going outside the U.S. to tap into the global bond market, which includes emerging markets.

Bryce Doty, senior portfolio manager at Sit Investment Associates, says news related to the pandemic will dominate investor sentiment and projections for economic growth in the first part of 2021. As society moves to a post-pandemic world, the outlook for bonds will evolve, market watchers say, with hopes that economies will improve as vaccines are distributed. An improving economy could lift bond yields, but it may also spur inflation – something else for investors to watch.

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US News & World Report

By Debbie Carlson, Contributor Jan. 15, 2021, at 12:08 p.m.