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Contracting Money Supply: A New Risk for Bond Investors

It's easy to be bullish on bonds and fixed income assets these days. Thanks to the Fed's rate hikes, bonds of all stripes are yielding the most they have in decades. Income choices are plentiful and they offer the chance for good returns versus stocks in the quarters ahead. With that, it's easy to forget about some of the risks that come with fixed income investments.

And investment manager Putnam's latest report unveiled a big one: contracting money supply or M2.

For investors, it's a big risk waiting in the shadows that potentially could hinder a variety of bond asset classes and portfolios. For investors going gaga over bonds, it's something to consider and, perhaps, profit from.

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Aug 31, 2023

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