

What do these two have in common?

Steven Bradbury



US Treasury Bonds



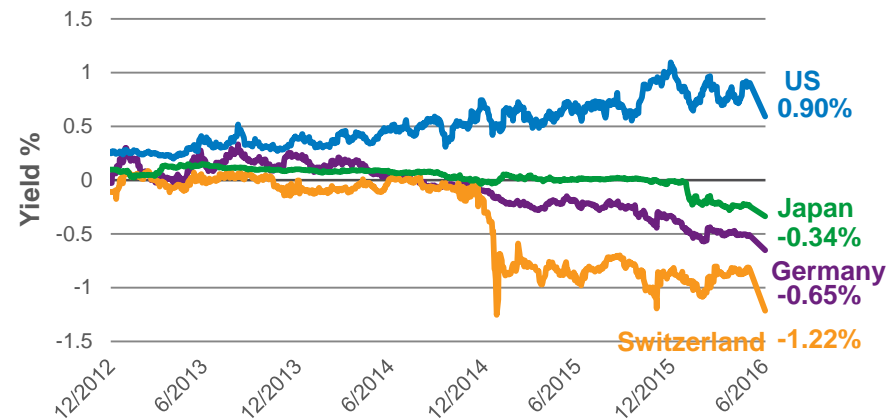
Source: Blackrock, July 2016.

All of their competitors keep falling

Steven Bradbury



2-Year Government Bond Yields



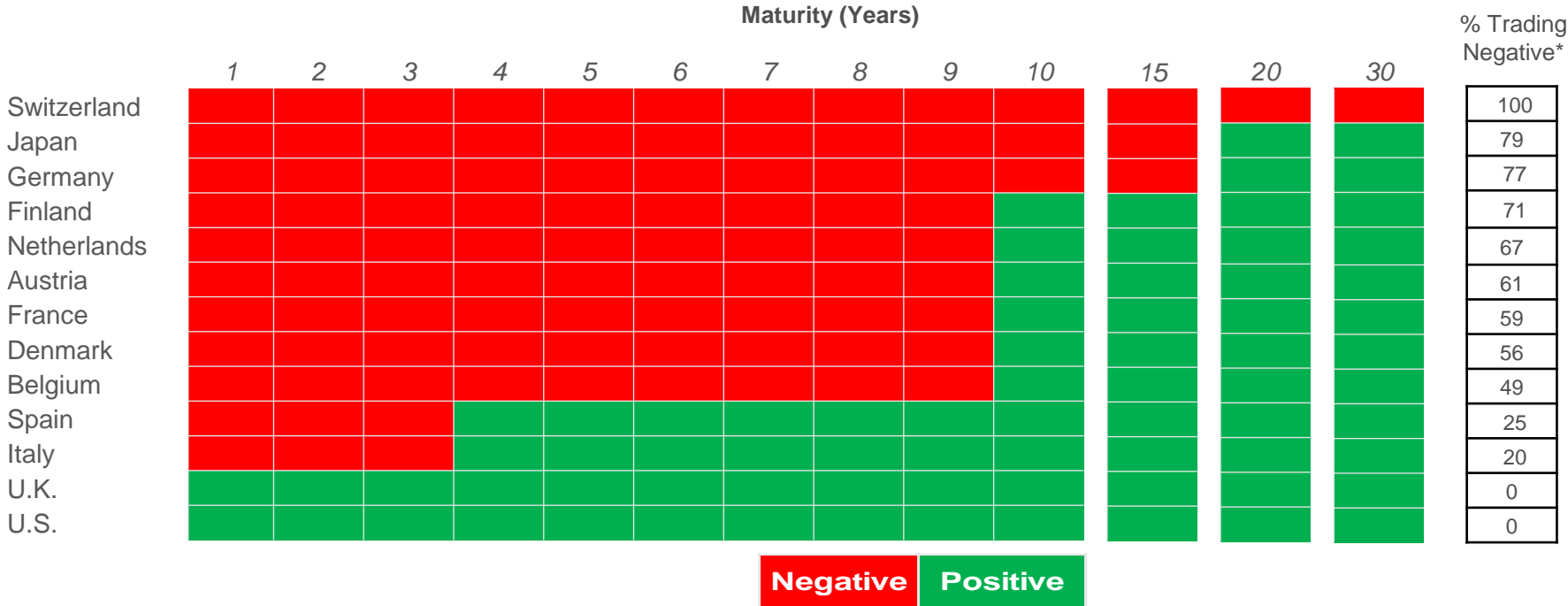
The result: US Treasuries remain an important component of a diversified portfolio:

1. High relative yields compared to other developed market sovereigns
2. Negative correlation to global equities
3. Flight to quality characteristic in periods of heightened market volatility

Source: Thompson Reuters Datastream, Bloomberg, Blackrock, June 2016.

The search for positive carry is getting more and more difficult

Select sovereign bond yields



Source: Bloomberg, Citi Research, July 2016. *Amount of outstanding notes with negative yield per Citi World Government Bond Index.