The Di Rocco Keenan Wealth Advisory Group

What's Bonds got to do with it?

Bonds are often described as the NyQuil of an investment portfolio…something to help us sleep at night when stocks are volatile. Or put differently, a bond is your friend at the party who is not there for a good time, but for a stable and predictable time. A recent look however at the bond market reveals that bonds, are more like James Bond…full of drama. Shaken, but ultimately not stirred. We learned a lot about the importance of bonds on April 8th, 2025.

Up until April 8th, US 10-year treasury yields had been falling post Liberation Day, which was welcomed by the US government, as lower yields mean lower costs to servicing a large deficit. However, by April 9th, the 10-year yield surged to 4.5%. **This was the largest 3 day increase since 1982**. What followed was a ripple effect on the stock market with the S&P 500 index declining 8%.

In times of uncertainty, investors typically run to safety in the form of U.S. dollar or U.S. treasuries. So why the reverse? BMO's Fixed Income Strategist Benjamin Graham, provides the following reasons:

- Investor concern related to whether the growth and inflation impacts of tariffs will be transitory or longer term
- Current market disruptions and the potential impact on global trade, prompting investors to demand a greater yield in return for holding longer-term U.S. Treasuries
- Portfolio repositioning and margin calls as volatility led hedge funds to sell their most liquid positions
- Foreign investors reducing U.S. exposure amid the trade war and when presented with more competitive investment opportunities in their home markets (e.g., 10-year interest rates in Japan and Germany reached their highest levels in over a decade due to domestic economic developments)

On the afternoon of April 9th, 2025, a 90-day pause was placed on the majority of tariffs. **The S&P 500 surged 9.5% that day.**

Next time you consider not inviting your bond friend to the party, reconsider. Turns out they CAN be the life of the party.

Lianne and Jamie

Reminder: 2025 Spring Home Financing Campaign

From March 3 to June 27, 2025 customers can spring into a fresh start with BMO, getting into their new home or switching from their current mortgage provider with our competitive cashback offer. **Customers can receive up to $4,100 in cashback!** For more information, reach out to us and we will introduce you to our Mortgage Specialist.

Gateway Reminder:

Have you set up your Gateway access? Gateway is our online portal where you can easily view your account details, account performance, monthly statements and much more.

Get in touch with us if you need assistance setting this up or accessing your account!

BMO Private Wealth

Distinguished Client Loyalty — BMO Private Wealth — Recognized in 2023

THE DI ROCCO KEENAN WEALTH ADVISORY GROUP
BMO Nesbitt Burns