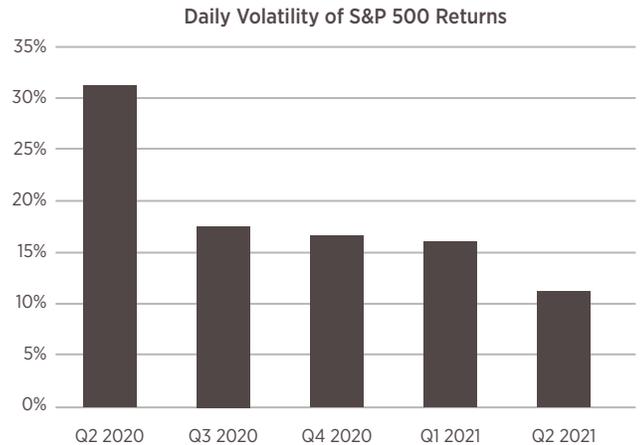




### Chart of the Month →

As stock markets continue to reach new highs and the country continues its long recovery from the pandemic, one interesting feature in the market is what is not happening. US stocks at the market level are not experiencing large day-to-day swings in price. The S&P 500 index rose by 8% over the most recent quarter, but did so with very little volatility. As this month's chart shows, that is a departure from the recent past, even as the recovery in stocks gained momentum. The period of calm is surely welcomed by investors, but raises questions of how long it will last.



Data Source: Bloomberg



### Advisor Q&A: Tim Lynch, Wealth Advisor

*Why is the 10 Year Treasury Yield So Important?*

**What is the 10-year treasury yield?** The United States Government sells Treasury securities as a means to help pay for the US debt. The 10-year Treasury note is a debt obligation issued by the US government with a time to maturity of 10 years. Investors in the 10-year Treasury receive interest payments at a fixed rate once every six months until their principal value is returned at maturity. Because they are backed by the full faith and credit of the US Government, Treasury securities are seen as a safer investment relative to stocks, especially during times of market volatility.

**What have the changes in the 10-year treasury yield taught us as investors?** With investors around the world trying to assess growth and inflation risks, the focus on the 10-year Treasury yield has become that much more important. A mentor of mine likes to refer to the 10-year Treasury note as the "Canary in the Coal Mine" which means it is an important indicator for potential adverse conditions ahead. For quick reference, caged canaries were once used by coal miners to signal for dangerous gases inside the mining tunnels. If carbon monoxide and other dangerous gases built up inside the mine, the gases would kill the canary before killing the miners, providing a signal for them to exit the tunnels immediately. I know that sounds a bit dire, but it provided a way for the miners to revert back and reassess their situation before progressing forward. The 10-year Treasury can do the same for us when used as a barometer to help clients compare the possible risks and returns offered by different asset classes along with keeping a close eye on the spread between short-term and long-term rates. Historically, if the Federal Reserve raises short-term interest rates too far and too fast in response to inflation concerns or tight labor market conditions, we could see a yield curve inversion and a potential sign of a recession.

**What to watch in the coming months?** The 10-year Treasury fell to its lowest level since February amid signs that the economic recovery from the Covid-19 pandemic has been slowing due to the potential implications of the more transmissible Delta variant. We'll see how this sentiment continues to play out this month at the Olympic Games in Tokyo, Japan. Keep an eye on investor confidence with the changing values of the 10-year Treasury.

For more information on this subject, visit [www.6meridian.com/category/resources](http://www.6meridian.com/category/resources).

	Source: Bloomberg 2021	June	YTD	2020	Benchmark
<i>Stocks</i>	United States	2.3%	15.2%	18.4%	S&P 500
	Intl Developed	-1.1%	8.8%	7.8%	MSCI EAFE
	Emerging Markets	0.2%	7.4%	18.3%	MSCI Emerging Markets
<i>Bonds</i>	US Investment Grade	0.7%	-1.6%	7.5%	Barclays US Aggregate
	US Municipals	0.3%	1.2%	6.3%	Barclays Municipal Bond 15y
	Intl Investment Grade	-2.0%	-4.4%	10.1%	Barclays Global Aggregate xUSD
	Global High Yield	0.2%	2.1%	7.0%	Barclays Global High Yield
	Emerging Markets \$	0.7%	-0.6%	6.5%	Barclays Emerging Markets USD Aggregate
<i>Other</i>	Commodities	1.9%	21.1%	-3.1%	Bloomberg Commodity
	Gold	-7.2%	-6.8%	25.1%	Gold New York Spot (\$/oz)
	Oil	10.8%	51.4%	-20.5%	Crude Oil WTI/Global Spot NYMEX

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