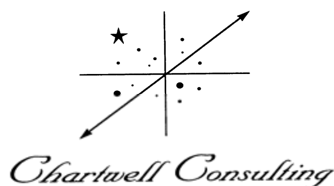

CHARTWELL REVIEW

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Steady as she goes?

Investment markets endured some aggressive asset rebalancing, economic and earnings growth uncertainty, and a very large dose of geopolitical jackbooting, to post generally below average equity returns and above average bond returns during the 1st quarter. The stars of the show were commodities, real estate (particularly US REITS), and long-term bonds, which is indeed an odd combo.

It didn't quite start out that way. January was a straight down month for stocks. The S&P index started dropping the first trading day of the year, and was down 5.8% by February 3rd. At the same time, yield of the 10-year Treasury bond was dropping 45bps, to 2.58%. A classic risk-off rotation, from stocks to long-term bonds, and one that had many market economists huddled in the corner.

Given 2013's surprisingly strong rotation into stocks, it looked like we were finally about to get "the big one." The big "C" (as in correction). But then someone rang the bell, and the next thing we knew the S&P index had rallied 7.8% off its 2014 low and the bellwether 10-year Treasury bond yield had backed up to 2.79%. Risk on!

That was about it for domestic stock and bond markets. March was flat. Non-US markets, which had dropped considerably more in January, continued their strong rally through to the end of the quarter (especially EM debt and equity). But, per Figure 1, we once again see that domestic stocks outperformed ex-US markets, with emerging markets stocks the weakest broad equity sector.

This weakness was ultimately led by EM-Europe/Africa, which should surprise no one who watched Russia invade and take over parts of the Ukraine, while the world wrung its hands and John Kerry did his best Neville Chamberlain imitation. The swiftness of this blitz was a shock to many; Let's hope it doesn't extend any further.

Figure 1: Index Benchmarks

Market Index	Trailing Returns *				
	1Q 14	**1 Yr**	**3 Yr**	**5 Yr**	**10 Yr**
S&P 500	1.8	21.9	14.7	21.2	7.4
U.S. Top-cap Stocks	1.4	21.9	14.9	20.2	6.9
U.S. Mid-cap Stocks	3.5	23.5	14.4	25.6	10.1
U.S. Small-cap Stocks	1.1	24.9	13.2	24.3	8.5
Non-US Stocks (**devel**)	0.8	18.1	7.7	16.6	7.0
Non-US Stocks (**emerg**)	(0.4)	(1.1)	(2.5)	14.8	10.5
3 mo. T-Bills	0.1	0.3	0.3	0.4	2.1
U.S. Aggregate Bonds	1.8	(0.1)	3.7	4.8	4.5
High Yield Bonds	3.0	7.5	8.7	18.2	8.5
Global AGG, $-hdgd	2.0	1.3	4.4	4.5	4.4
CPI, annualized	*1.7*	*1.5*	*1.9*	*2.1*	*2.3*
DJ-UBS Commodities	7.0	(2.1)	(7.4)	4.2	0.4
Nareit All REIT's	8.6	2.7	10.6	27.3	7.4
Chartwell Global 65/35	*2.1*	*10.4*	*7.6*	*15.0*	*7.6*

Figure 2: Average Mutual Fund Returns

Fund Category	Trailing Returns *				
	1Q 14	**1 Yr**	**3 Yr**	**5 Yr**	**10 Yr**
U.S. Large-cap	1.5	22.3	13.5	20.6	7.4
U.S. Mid-cap	2.1	23.3	12.8	23.1	9.1
U.S. Small-cap	1.0	25.6	13.1	24.8	9.0
International Lg. Cap	0.5	16.8	6.6	16.2	7.0
International Sm. Cap	2.6	21.8	10.2	23.8	9.8
Emerg. Mkt. Equity	(0.4)	0.0	(1.3)	15.4	9.9
Balanced/Hybrid	1.6	11.0	8.2	13.8	6.3
General Bond	2.0	0.3	4.2	6.8	4.6
High Yield Bond	2.7	6.7	7.9	15.7	7.5
Equity Hedge Index	1.4	10.4	3.7	9.5	5.0

* Annualized trailing returns for periods ending 3/31/14.

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Economies, Economics, Prices, and Policy

The Fed finally began its long awaited $10 billion/month reduction of QE3. Given that the combined Treasury/mortgage purchase program was $85bn per month, the taper is expected to end QE3 by October. The backstory is that monthly bond issuance is so reduced from 18 months ago that the tapered program is currently buying a higher percentage of government bonds than when QE3 was in full flight.

New Fed Chair Janet Yellen surprised markets with a suggestion that rate hikes may start only 6 months after QE3 concludes - a timeframe judged to be much earlier than the Fed's pre-Yellen position. This change in tone came just as economic data reflected a mild recovery from its winter-induced slump, thus sending down intermediate term bond prices.

The final report of 4th quarter real domestic GDP was released in March. Annualized growth was 2.6%, compared to 4.1% during the 3rd quarter. While the overall number was lower than originally forecast, there were some positive takeaways from the report. Consumer spending growth improved, export growth far outpaced import growth (helping our current account), and government spending was down (our budget deficit decreased). In offset, businesses still held tight to their capex purse strings, and consumer investment in housing was down sharply. Many economists were also disappointed to see inventory investment rates remain so robust.

Figure 3: Breaking Down Real U.S. GDP

% Change from Preceding Period
(seasonally adjusted at annualized rates)

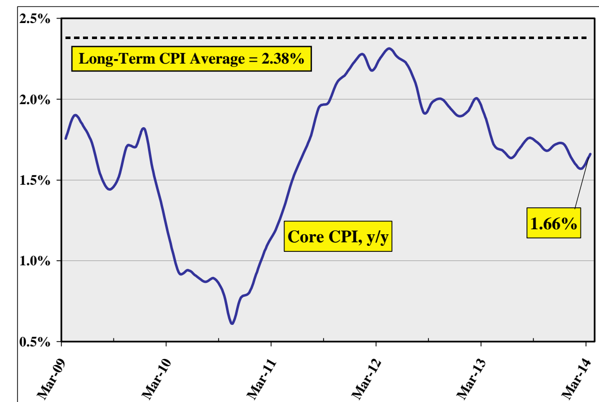
Factor	4Q '13	3Q '13	2Q '13	1Q '13
Real GDP Growth	**2.6**	**4.1**	**2.5**	**1.1**
Nominal GDP Growth	**4.2**	**6.2**	**3.1**	**2.8**
Final Sales	**2.7**	**2.5**	**2.1**	**0.2**
Personal Spending	3.3	2.0	1.8	2.3
Private Investment	2.5	17.2	9.2	4.7
- Fixed, Businesses	*5.7*	*4.8*	*4.7*	*(4.6)*
- Fixed, Residential	*(7.9)*	*10.3*	*14.2*	*12.5*
*- Chg. In Inventories (**$bn**)*	*$112*	*$116*	*$57*	*$42*
Export growth	9.5	3.9	8.0	(1.3)
Import growth	1.5	2.4	6.9	0.6
Government Spending	(5.2)	0.4	(0.4)	(4.2)

Of the 4th quarter components, the housing spending decline is the most worrisome. Continued growth in US housing investment is one of the linchpins supporting economists' views that the US economy will grow nearly 3.0% this year, and outpace 2013's low 1.9%. But, the March 2014 annualized rate of existing home sales was 7.5% below March 2013, and new-home sales were 13% lower. Let's hope it was just the weather.

Domestic inflation rates remained below the Fed's low-end 2.0% target, suggesting continuation of the Zero Interest Rate Policy (despite Yellen's comments). Price indices always increase fastest in the first quarter. CPI rose at an annualized rate of 3.1%, but only 1.7% when seasonally-adjusted. The index was up just 1.5% over the past twelve months, which was the lowest non-recession year/year increase post WWII. Producer Prices (finished goods) rose at a 1.6% rate in the quarter, but only 1.4% year-over-year.

Per Figure 4, the **Core CPI** (ex-food and energy) index has spent little time above 2% during the current market rally, is currently downward trending, and was up just under 1.7% year/year through March.

Figure 4: Inflation Experience since 2009



US **employment** once again increased. The household survey painted a very rosy picture, with employment ostensibly rising 1.16 million persons, compared to just 316k in the fourth quarter. Adjusted for seasonality, non-farm payrolls increased by 533k, almost exactly the same as during the fourth quarter. Over the past year non-farm payrolls are up by 2.25 million persons. By comparison, just 1.13 million persons joined the labor force during the past twelve months.

US **industrial production** increased at a favorable 4.4% annual rate during Q1, and is running 3.8% more than one year ago. Capacity utilization at 79.2% still remains a little slack, but it has also been rising.

Three international developments were notable –

- Chinese GDP growth was reported out at 7.4%, well below the prior quarter. Many forecast China growth at just 7.0% for 2014, as it continues to transition from an investment driven to a consumption driven economy;
- Eurozone industrial production increased 1.7% year/year through February, after two years of decline;
- Eurozone inflation was up just 0.5% for the year through March. Interest rates have fallen sharply in periphery nations.

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Bonds Rally, and Yields Fall

The Fed held its target rate and discount rate steady at 25bps and 75bps, respectively. The wind-down of QE3 began in January. Despite the $10bn reduction in monthly demand, rates generally ended the quarter lower, driven by investor flight to quality. Long US Treasury bonds rose 5.53% in January, and led all markets for the quarter with a very strong 7.1% return.

Long-dated yields decreased by 30-40bps, causing the yield curve to flatten (see Figure 6). Five-year maturity bonds bore the brunt of the market repricing caused by the slight Fed shift, as shorter bonds are still anchored by the low Fed Funds rate, and longer bonds are more heavily influenced by macroeconomic fundamentals.

With the prospect of a slightly less accommodative Fed largely priced in, most other bond sectors outperformed comparable maturity US Treasuries.

Investment grade credit spreads continued to narrow during the quarter, with investors remaining open to risk-taking. The average spread of the investment grade corporate bond market fell 8bps, ending the period at 106 basis points. This is only about 20bps wider than the lows seen in 2007. BBB-rated bonds outperformed the other investment grade sectors, with long-term industrial bonds returning 6.41%.

Like the investment grade sector, high yield spreads again narrowed during the quarter. Increasingly yield-hungry investors again upped demand for high yield bonds and bank loans. The low-rated credits were the strongest performers, with CCC-rated debt outperforming BB-rated. Bank loans posted 1.1% returns. Inflows were positive for the 88th week, but prices didn't benefit from falling Treasury rates.

Non-agency MBS loan fundamentals continue to improve. Even modest further increases in home prices will substantially improve borrowers' loan-to-value ratios, reducing the odds of defaults. Agency MBS struggled in the quarter, and are expected to experience volatility as the Fed tapers QE3. Like other corporate credits, CMBS bonds posted solid returns, with lower quality, higher yielding, issues outperforming. Fundamental performance of the collateral was quite strong, as commercial real estate prices rose.

On the international bond front, high quality developed country bonds saw their yields fall more than any US$ bond sector (see Figure 7), which was the opposite of what happened during the 4th quarter. In addition, major currencies appreciated vs. the US$. As a result, non-US bonds returned over 3.3% on an unhedged basis. Global high yield indices advanced 2.9%. Dollar emerging markets bonds were up a very strong 3.7%, as investors sought their higher yields and generally investment grade ratings. But, country differentials were significant. Russian bond prices declined, as investors fled the country.

Figure 5: Primary Bond Sector Returns (%)

Index	1Q '14	1 Year	3 Years
US Aggregate Bond index	1.8	(0.1)	3.8
US Gov't: 1-3 Yrs.	0.1	0.4	0.8
US Treasury: Long	7.1	(4.2)	8.3
US Inflation-Linked	2.0	(6.5)	3.5
Mortgage-Backed	1.6	0.1	2.8
CMBS	1.4	1.4	5.1
Asset-Backed	0.5	0.2	2.8
Inv. Grade Credit, 1-10yr	1.7	1.2	4.8
Inv. Grade Credit, 10+yr	6.2	1.3	9.0
US High Yield Credit	3.0	7.5	8.7
Municipal Bonds	3.3	0.4	5.8
Global Aggregate, ($ hdgd)	2.0	1.3	4.4
Global Aggregate Credit	2.5	1.8	5.6
Emerg. Mkts Bonds (US$)	3.7	0.6	7.1

Figure 6: Primary US$ Bond Yields in 2014

US Treasuries	**Mar-14 (%)**	**Dec-13 (%)**	**Sep-13 (%)**	**Mar-13 (%)**	***Y-T-D Change (%)***
3-month	0.03	0.07	0.01	0.07	***(0.04)***
2-year	0.43	0.39	0.33	0.25	***0.04***
5-year	1.73	1.74	1.39	0.78	***(0.01)***
10-year	2.73	3.01	2.62	1.86	***(0.28)***
30-year	3.56	3.94	3.69	3.12	***(0.38)***
BarCap Aggregate	2.40	2.49	2.34	1.87	***(0.09)***
BBB Credit	3.67	3.88	3.93	3.29	***(0.21)***
AA Credit	2.19	2.25	2.18	1.75	***(0.06)***
Agency MBS	3.11	3.26	3.07	2.52	***(0.15)***
Emerging Mkts ($)	5.56	5.88	5.87	4.84	***(0.32)***
US High Yield	6.10	6.37	6.78	5.67	***(0.27)***
UST30y-UST2yr	3.13	3.55	3.36	2.87	***(0.42)***

Figure 7: Sovereign Bond Yields, selected countries

10 yr. bond yields	**Mar-14 %**	**Dec-13 %**	**Sept-13 %**	*Apr-13 (%)*	***Y-T-D Change***
United States	2.73	3.01	2.62	1.70	***(0.28)***
Germany	1.57	1.94	1.82	1.23	***(0.37)***
Switzerland	0.94	1.25	1.14	0.68	***(0.31)***
Britain	2.77	3.29	2.86	1.80	***(0.52)***
Poland	4.25	4.34	4.38	3.47	***(0.09)***
Italy	3.34	4.09	4.38	4.25	***(0.75)***
Spain	3.27	4.22	4.26	4.73	***(0.95)***
Greece (new bonds)	6.86	8.57	10.05	11.40	***(1.71)***
China (5 year)	4.15	4.49	3.88	3.19	***(0.34)***
Australia	4.11	4.23	3.85	3.26	***(0.12)***
South Korea	3.55	3.57	3.41	2.90	***(0.02)***

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Domestic Equities Sail On

US stock prices edged higher last quarter, with the S&P returning 1.8%, small caps stocks somewhat less, and midcap stocks a bit more. Unsurprisingly, the pace of gains slowed after a remarkably profitable 2013. Medium-term trailing results are very strong, as we've now eliminated 1Q09 from the calculation. At 21.2%, the S&P's 5-year annualized return ranks in the top quartile for all of stock market history.

We didn't see a great deal of fresh news for the quarter. We saw considerable pressure on consumer companies, especially retailers, with domestic demand still sluggish, internet commerce relentlessly gaining market share, and profits from emerging markets now under some pressure. Industrial and energy stocks also underperformed. The mega-cap integrated energy companies, like Exxon and Chevron, were weak, as were industrial conglomerates like General Electric.

The S&P 500 was paced upward by strength in health care, financials, and materials stocks (see Figure 9). Utilities was the notably best performing sector, but it accounts for only 3% of the index. Large health care stocks were up 5.4%, after having returned almost 39% in 2013. Big pharma, like Merck, accounted for much of those gains. With financials, it was all about the banks (regional and diversified, except for Citigroup), and the REITs. Most areas of the domestic REIT sector posted double-digit returns. In materials, gains were fueled by chemicals firms.

While performance was positive across the quarter for equities, a few mega-cap tech companies were well-publicized laggards. Apple, Amazon, and Mastercard were three of the S&P Growth index's bottom five contributors, joining Boeing and Celgene. Much of this was simply pullback after 2013's 50+% advances, and it wouldn't be surprising to see more of this.

Per Figure 8, the style effect (*value* > *growth*) was fully observable across all cap ranges. While this is normally driven by 1-2 industry sectors, large value firms outperformed large growth across 7 of 10 sectors. In smallcaps, value beat growth in 8 of 10 sectors.

The size effect (*smaller-caps* > *larger-caps*) was clouded by mid-cap stocks. Large-cap stocks moderately outperformed smallcaps in both the growth and value sectors, in what many regard as a partial reversion following 2013's exceptional market for small company shares (which were up 39% in 2013). However, both areas underperformed mid-caps. This was most pronounced in the value arena, and was observable across nearly all industry sectors.

Looking at broad risk factors, the biggest positive factor was higher yield, followed by low leverage and low PE. The biggest negative was projected earnings growth. Investors might be beginning to doubt the capacity of firms to deliver double-digit earnings growth from low single-digit revenue gains.

Finally, and tying into Figure 2, the 1st quarter saw active managers outperform their respective passive benchmarks in just a few areas, including Large Value (63%), Large Growth (66%), and Small Growth (77%). Conversely, less than 15% of managers pursuing Core strategies outperformed their broad benchmarks.

Figure 8: U.S. Equity Market - Size/Style Returns

		Trailing		
	1Q '14	1-yr	3-yrs	5-yrs
Growth				
Large Cap	0.7	22.8	15.2	20.6
Mid Cap	2.0	24.2	13.5	24.7
Small Cap	0.5	27.2	13.6	25.2
Value				
Large Cap	2.1	21.1	14.6	19.9
Mid Cap	5.2	23.0	15.2	26.4
Small Cap	1.8	22.6	12.7	23.3

Figure 9: US Sector Returns – 1st Quarter 2014

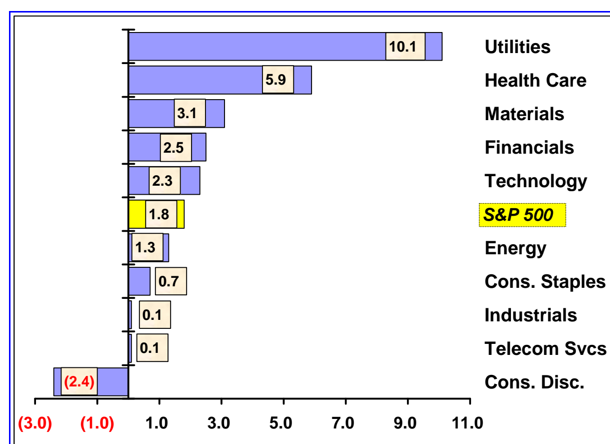

Figure 10: P/E Ratios by Style and Size - March 2014

	Value	Blend	Growth
US Large	15.7x	17.9x	20.6x
US Mid	20.0x	21.9x	24.0x
US Small	19.5x	22.6x	26.8x
EAFE		15.4x	
Emerg. Mkts		11.3x	

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International Markets – Navigating Stormy Seas

2014 got off to a rocky start for global equities. Despite signs of better economic growth in the US, Europe, and Japan, concerns about future growth prospects in a tighter monetary policy environment put pressure on markets. Capital outflows continued to plague emerging markets. Investors appeared to be caught off guard by a *perceived* shift in the timing of future Fed Funds rate increases.

This collective uncertainty saw non-US developed markets drop 4.0% and emerging markets fall 6.5% in January (the overall US market was down 3.5%). Then, we had a robust February rally, with developed markets rising 5.5%, and emerging markets up 3.3%. March saw losses across Europe and Japan, and good gains in emerging markets. When the dust had settled, the developed markets (EAFE + Canada) index, rose 0.8% for the quarter, while the primary emerging market index declined 0.4%. Altogether, 16 out of 35 major world equity markets outperformed the US.

Within developed markets, Europe was the best performing region, gaining 2.1%, despite the large markets of Germany (-0.33%) and the UK (-0.83%) posting negative returns. French stocks rose 2.9% and the Nordic index was up 4.7% But, it was the peripheral European countries which really set the pace for developed markets, amid signs of recovery and stabilization. The Irish and Italian stock markets both rose 14%, Portugal 10% and Spain 5%. And, as Figure 7 reflects, these equity gains were also accompanied by sharp declines in sovereign bond yields.

Amazingly, the Irish, Italian, and Spanish stock markets have each returned over 40%, in US$ terms, during the past twelve months. The Greek market is up +56% during that timeframe.

Japanese stocks were the weakest performers among developed markets during the quarter, falling -5.6%. Take this market away, and the Pacific ex-Japan index advanced 3.0%. The most challenging phase of Prime Minister Abe's reform plan, an upcoming increase in national sales tax from 5% to 8% in April, overshadowed largely positive economic data. Another headwind was the Yen's 2% gain versus the US$ and other major currencies. Last year's depreciation led to a boom in Japan's export driven economy.

The continuing bifurcation of emerging markets since this recovery began was again evident during the quarter. As with developed markets, many of 2013's weakest performing countries rebounded. The "fragile five" - Brazil (+2.8%), India (+8.2%), Indonesia (+21.2%), South Africa (+4.7%), and Turkey (+4.9%), all posted positive results, as did the Philippines (+9.9%) and Egypt (+9.2%). After a strong 2013, the Greek market was once again the top performing emerging market country in the quarter, jumping 18.1%.

Conversely, Chinese stocks dropped 5.8%, and the Mexican market was off 5%. Russian stocks declined almost 15%, as capital fled the country. Sometimes, a very cheap market can get much cheaper.

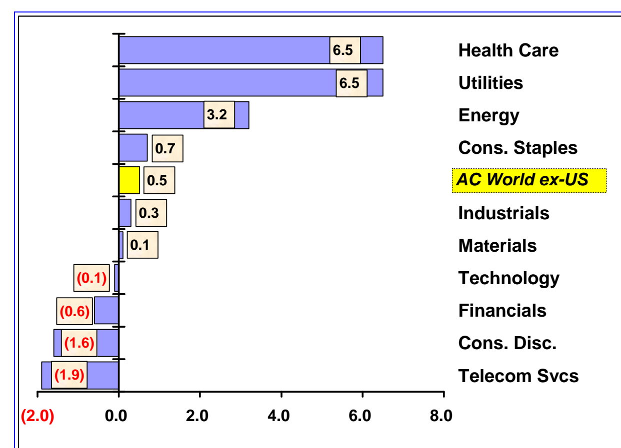
Of the ten sectors, four fell into negative territory. The telecomm and consumer discretionary sectors each declined more than -1.5%, and the financial services sector was off -0.6%. The top performing sectors in non-US markets last quarter were the more defensive utilities and healthcare (each up 6.5%). Energy shares posted a 3.2% advance. The remaining sectors posted neutral to only slightly positive gains.

Currencies in the Pacific region climbed relative to the US dollar, with the Yen rising 2%, the Australian dollar gaining 3.6%, and the New Zealand dollar up 6%. The euro was flat against the dollar and the UK pound gained a modest gain of 0.7%.

Figure 11: International Equity Markets - Returns

	U.S. Dollar Returns (%)		Local Currency Returns (%)	
thru 3/31/14	**1Q '14**	**1-Yr**	**1Q '14**	**1-Yr**
World ex-USA	**0.8**	**16.5**	**0.2**	**15.4**
- MSCI Growth	*0.4*	*13.9*	*(0.1)*	*12.9*
- MSCI Value	*1.1*	*19.1*	*0.6*	*18.0*
- Europe ex-UK	3.5	28.5	2.4	20.6
- Pacific, ex-Japan	3.0	1.5	0.5	9.4
- Japan	(5.6)	7.5	(7.5)	17.8
- United Kingdom	(0.8)	16.8	(1.5)	6.4
Int'l Small Cap	**3.5**	**21.1**	**2.9**	**21.4**
Emerging Mkts	**(0.4)**	**(1.4)**	**(0.5)**	**3.4**
- EM Asia	*(0.3)*	*3.1*	*(0.4)*	*4.9*
- EM Europe & ME	*(6.5)*	*(8.3)*	*(3.5)*	*(1.4)*
- EM Latin América	*0.3*	*(13.8)*	*(1.8)*	*(5.1)*
- EM BRIC	*(2.9)*	*(3.5)*	*(3.8)*	*2.4*

Figure 12: Ex-USA Sector Returns (in US$ terms)



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Back Page Perspectives

"In markets, and in much else, things take much longer to happen than you think they will, and then happen much faster than you thought they could."

"Markets can stay irrational longer than you can stay liquid."

"There are known knowns. These are things we know that we know. There are known unknowns. That is to say, there are things that we know we don't know. But there are also unknown unknowns. There are things we don't know we don't know."

As we all know, the last quote was provided to us by Secretary Donald Rumsfeld. Not our all-time favorite guy, but what he says here rings true regarding the threat Russia offers to investment markets. While we've all read enough about Hitler and Stalin to think we might have Putin pegged, the world is so vastly different than 80 years ago that maybe we just don't know what we don't know about this situation.

However, we think we know at least one thing – this is a risk that is extremely difficult to underwrite. What does the risk of a re-constituted USSR present to investors, both during the process and after it is completed? How much "left tail risk" is in that black swan event? This is what we've started asking nearly every investment management firm we speak with. So far, it seems that there is very little cogent analysis being developed. Everybody just figures they'll keep doing what they're doing, then vote with their feet, sell all the risk assets and own the US$ and US Treasury bonds. Or, just hold good stocks and ride the tiger.

Humor us a little, and take a look back at Figure 10, P/E ratios by size and style. What did some of these figures look like two years ago, when the bull market was already in high gear?

Size/Style	3/31/12 P/E		3/31/14 P/E	% Increase
Large Value	11.0x	>	15.7x	43%
Large Growth	13.8x	>	20.6x	49%
Small Value	13.0x	>	19.5x	50%
Small Growth	16.4x	>	26.8x	63%
Non-US Developed	10.2x	>	15.4x	51%
Emerging Mkts	9.4x	>	11.3x	20%

Given the two years' return record, the very low initial P/E's of international markets were clearly no guarantee of future outperformance. International earnings did not kept pace with the US, and so neither has their performance. But, the relative value spring continues to get wound tighter and tighter in emerging markets. It's not universally observable, because emerging markets are by no means one market. But, the time to overweight EM positions is drawing near.

The quarter's fund flows continued to heavily favor equities. ICI estimates $44 billion flowed into domestic and world equity funds during the first two months of this year. Bond funds received $9bn. Money market fund balances dropped $53 billion. After lagging for each of 24 months prior to January 2013, equity fund inflows have exceeded those into bond funds for each of the past nine months. Will this rotation continue?

The first quarter earnings season (which is playing out now) has been favorable. It looks like we'll see S&P companies report about $27.60 of operating earnings per share. That will be well below the $29.01 forecast from a year ago, but 7.2% above the actual for 1Q'13. Twelve month trailing earnings look to be coming in at $109, compared to $98.35 the prior year. Applying the market's long-term average 15x PE multiple gets us to an S&P index value of 1637. Unfortunately, the S&P is trading today at 1878 . . . .

We said last quarter that while we didn't know where term bond yields were headed in the short term, "up alot, and soon" would not be our guess. Now, with long-term bond yields having dropped considerably (30+ basis points), these are our thoughts -

- The Fed is unlikely to push base rates above current inflation rates, even when the Zero Interest Rate Policy ends sometimes in 2015. Inflation has been running at <2.0% for many years;
- Over the past 54 years, the central tendency for the 3mo-10yr yield curve has been the 1.50 - 2.25% range. The greatest number of observations have actually been less than 0.75%;
- Over virtually the same timeframe, real term yields have averaged 2.52%, compared to the 1.16% we observed at the end of March;
- Economic theory suggests that term bond yields should approach the nominal GDP growth rate. Looking at Figure 3, we note that this has averaged 4.1% during the past year;

Pull these building blocks all together, and you get about a 4% yield for the ten-year Treasury, perhaps before the end of 2015. This could be skewed upward a bit if good economic growth increases inflation and real interest rates. In counterpoint, a recession precipitated by actions in Eastern Europe could easily see term US Treasury yields back below 2%, as real yields once again collapse to zero.

Sell high, buy low. See you next quarter!

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