

### The Great Rotation in Bonds may be Starting

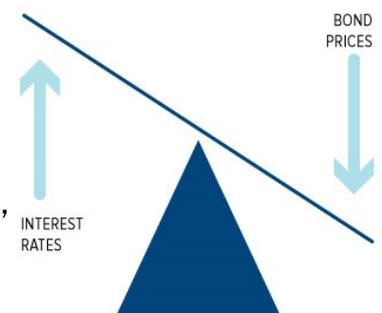
Bonds have been in a bull market for 30 years. Since 1988, bonds have been rising in value as the interest (yield) paid on those bonds has declined. We are concerned that the long-term bull market in bonds may be coming to an end. The chart below shows the yield on the United States 10-year Treasury Bond for the past 30 years.



If you purchased a 10-year US Treasury bond in 1990, the U.S. Government would have paid you 9.0% yield each year you owned the bond. If you purchased the same exact bond in 2000, you received about 6.6% yield on the bond. In 2016, the same bond paid a whopping 1.5% yield. Imagine giving your money to the U.S. Government for 10 years and receiving 1.5% yield each year!

When the yield goes down, the face value of bonds moves up. Therefore, the value of bonds has been going up for 30 years.

I connected all the peaks and drew a declining trendline. Notice for the first time in 30 years the yield on a 10-year Treasury Bond has broken above the declining trendline.



To learn how Intermountain Wealth Management can help you manage your investments, please contact us.

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Intermountain Wealth Management is a Registered Investment Adviser. The company manages several fee-based portfolios comprised of various equity and fixed-income securities. Signals are provided as general information and are not investment recommendations. Past performance does not guarantee future performance. Opinions are based on historical research and data believed reliable. There is no guarantee results will be profitable. This brochure may include forward-looking statements. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we give no assurance that such expectations will prove to be correct. The S&P 500 Index is not a managed portfolio. Investors cannot invest directly in the S&P 500 Index; therefore, an investor's individual results may vary from the benchmark. Mutual Funds and Exchange Traded Funds (ETF's) are sold by prospectus. Please consider investment objectives, risk, charges and expenses carefully before investing. The prospectus, which contains this and other information, can be obtained by calling Intermountain Wealth Management.



Bond values have an inverse relationship with interest rates. When interest rates rise, the value of bonds decline. The Fed Fund Rate was at 0.25% (an all-time low effectively at zero) in December 2016. The Federal Reserve has now raised rates seven times and the Fed Fund Rate currently stands at 2.0%. The Federal Reserve prefers to keep the Fed Funds Rate between 2-5%. They indicate this is the sweet spot to maintain a healthy economy. The Federal Reserve still has a lot of wiggle room to continue raising interest rates.

This great rotation in bonds is something most investors have not experienced before, so what is a bond investor to do?

We have taken several steps to help reduce the downward pressure on bonds:

- Reduced long-term bonds in the portfolio and replaced them with shorter-term bonds.
- Diversified into global bonds because not every country is raising interest rates.
- Added floating rate bonds in the portfolios.
- Added high yield bonds in the portfolios.

In January 2018, IWM added two additional investment models. You may consider moving to a different investment model that reduces bond exposure and increases stock exposure.

Bonds play a key role in a portfolio. They provide stability to a portfolio when stocks decline. The yield paid on bonds can help offset declines in the value of bonds. Finally, interest rate risk is not the only risk to a person's investment portfolio.



## Save the date for the Luau!

*Annual Summer Social*

*We will be serving pork, rolls, fruit, drinks, and dessert.*

*You're invited to bring your family and friends!*

***Date: Thursday, August 23rd***

***Time: 5:00 pm — 6:30 pm***

***Location: Kate Curley Park***

Please RSVP to Maeleen Dugan at 208-522-3344.



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