LoCorr Chart Series

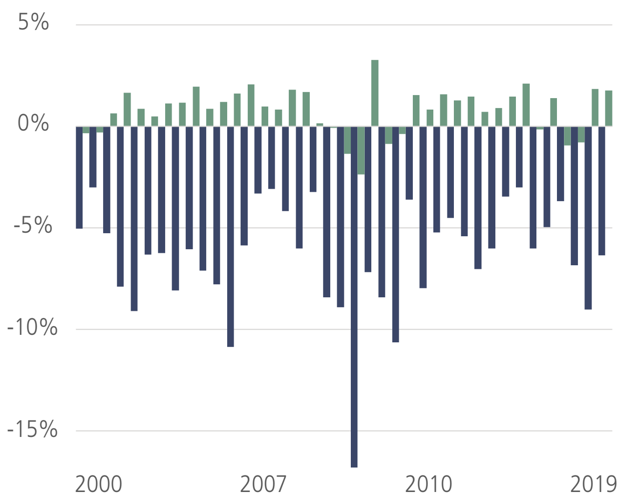
The Role of Fixed Income as a Diversifier has Changed

Historically, when equity markets experienced a drawdown of -3% or greater, fixed income moved in a different (positive) direction. In the post-COVID market environment, however, fixed income has begun to move in tandem with equities, diminishing the diversification benefit it provides.

Fixed Income Performance During Equity Market Declines of -3% or More | Before & After COVID

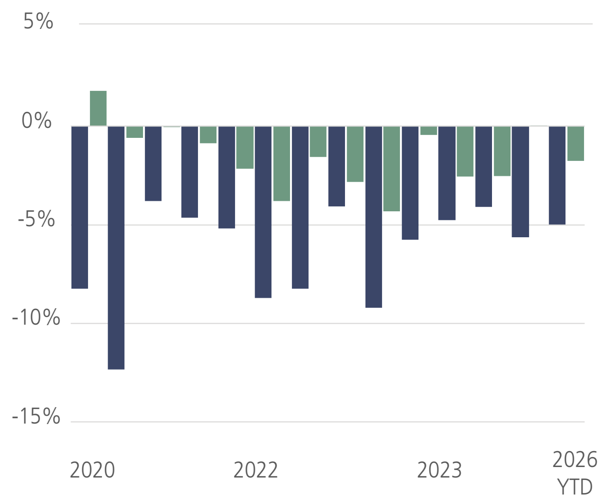
BEFORE
January 2000 - December 2019

From 2000 through 2019, there were **39** periods when the stock market had a monthly decline of -3% or more. During these equity drawdowns, fixed income was positive **74%** of the time.



AFTER
January 2020 - June 2026

Since 2020, there have been **14** occurrences when the stock market had a monthly decline of -3% or more. During this time, fixed income was positive **14%** of the time or two months (one month provided a meaningfully positive return and another was flat).



S&P 500 Index   Bloomberg U.S. Aggregate Bond Index

Source: Morningstar Direct as of June 2026. Calculated using monthly data. One cannot invest directly in an Index. Equities are represented by the S&P 500 Index and fixed income is represented by the Bloomberg U.S. Aggregate Bond Index. **Past performance does not guarantee future results.**

Key Takeaways

- The investment landscape has changed and the role of fixed income as a diversifier in a portfolio has diminished.
- In the post-COVID environment, fixed income has been positive only twice during the 14 occurrences when equity markets had a monthly drawdown of -3% or greater.
- It is time to look to other sources for diversification, including strategies with low correlation to both equities and fixed income.

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Diversification does not assure a profit or protect against loss in a declining market. Correlation measures how much the returns of two investments move together over time. **S&P 500 Index** is a capitalization weighted unmanaged benchmark index that includes the stocks of 500 large capitalization companies in major industries. This total return index includes net dividends and is calculated by adding an indexed dividend return to the index price change for a given period. **Bloomberg U.S. Aggregate Bond Index** is a broad-based bond index comprised of government, corporate, mortgage and asset-back issues rated investment grade or higher.

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