

August 10, 2020  
Weekly Bulletin

## Seek Yield Abroad with a Weakening Dollar – EBND

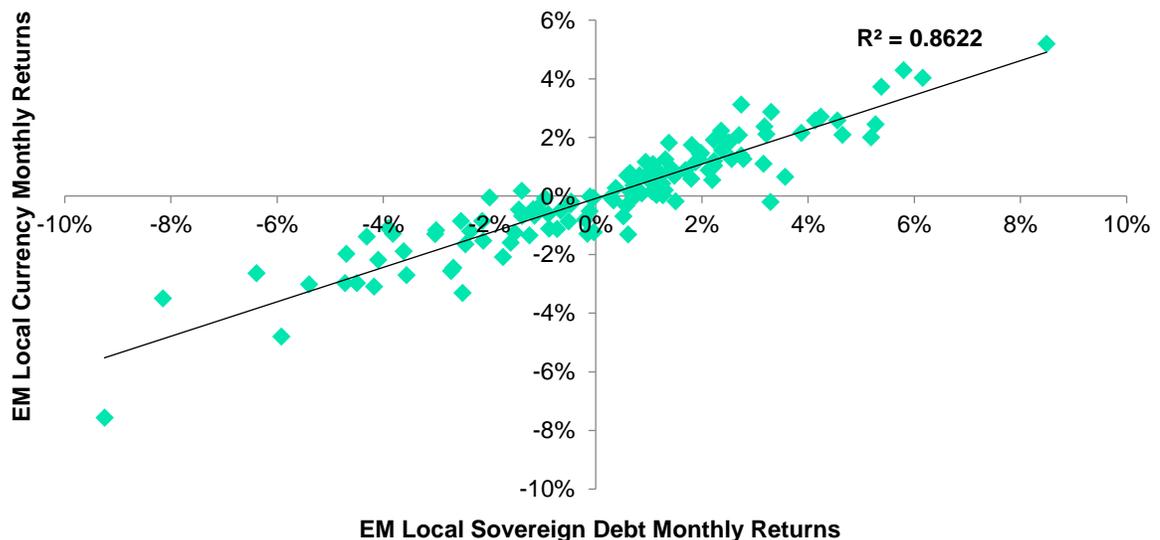
- Yields on interest-bearing securities are under pressure, straining retirees and other investors who seek income, as the Federal Reserve remains committed to accommodative monetary policies in order to combat the economic headwinds from COVID-19
- With broad US Treasuries and Aggregate bonds yielding just 0.41% and 1.01%, respectively,<sup>1</sup> it might behoove investors to seek out nontraditional fixed income sectors in an attempt to restore portfolio yields closer to pre-COVID-19 levels
- Local currency emerging market debt's ("EMD's") 3.2% yield looks potentially attractive, as it is 1.4 to 2.8 percentage points greater than that of traditional fixed income asset classes,<sup>2</sup> such as IG Corporates and core Agg Bonds, respectively, while still being considered investment grade, given that nearly 90% of the debt is rated above BBB<sup>3</sup>

### The Takeaway

In a yield-starved market landscape, the SPDR Bloomberg Barclays Emerging Markets Local Bond ETF (EBND) might benefit investors seeking higher yields while potentially avoiding speculative grade risks. Further bolstering the case for local currency EMD is the US Dollar, which has weakened 10% since late March,<sup>4</sup> and which might fall further, given the US's waning yield advantages over other currencies and a ballooning public deficit – one that is likely to increase if a second stimulus bill is passed. As shown below, currency trends have played a significant part in explaining the risk<sup>5</sup> and return of EM local debt, and a weakening dollar may be an added total return tailwind to this potential income-generating solution.

### Chart of the Week

EM Local Debt Return Correlation with EM Currencies



Source: Bloomberg Finance L.P., as of 08/05/2020. Bloomberg Barclays EM Local Currency Government Diversified Index monthly return versus the MSCI EM Currency Index. Data from 07/31/2009 to 07/31/2020. **Past performance is not a guarantee of future results.** It is not possible to invest directly in an index.

**Standard Performance**

Ticker	Name	YTD	1 Year	Annualized				Inception Date	Gross Expense Ratio (%)
				3 Year	5 Year	10 Year	Since Inception		
EBND	SPDR Bloomberg Barclays Emerging Markets Local Bond ETF (NAV)	-4.03	-1.21	1.05	2.00	-	1.00	02/23/2011	0.30
EBND	SPDR Bloomberg Barclays Emerging Markets Local Bond ETF (MKT)	-4.56	-1.62	0.95	1.98	-	0.97		

Source: ssga.com/etfs as of 06/30/2020. **Performance quoted represents past performance, which is no guarantee of future results. Investment return and principal value will fluctuate, so you may have a gain or loss when shares are sold. Current performance may be higher or lower than that quoted. For SPDR ETFs, visit ssga.com/etfs for most recent month-end performance.** The market price used to calculate the Market Value return is the midpoint between the highest bid and the lowest offer on the exchange on which the shares of the Fund are listed for trading, as of the time that the Fund's NAV is calculated. If you trade your shares at another time, your return may differ. Performance returns for periods of less than one year are not annualized.

<sup>1</sup> Bloomberg Finance L.P., as of 08/05/2020. YTW used to measure yield. US Treasuries represented by the Bloomberg Barclays US Treasury Index. Agg represented by the Bloomberg Baraclys US Aggregate.

<sup>2</sup> Bloomberg Finance L.P., as of 08/05/2020. Traditional fixed income assets classed defined as US Treasuries, Aggregate Bonds, and Investment Grade Corporate Bonds. US Treasuries represented by the Bloomberg Barclays US Treasury Index. Aggregate Bonds represented by the Bloomberg Baraclys US Aggregate. Investment Grade Corporate Bonds represented as the Bloomberg Barclays Corporate Bond Index.

<sup>3</sup> ssga.com/etfs, as of 08/05/2020.

<sup>4</sup> Bloomberg Finance L.P., 03/20/2020 to 08/05/2020.

<sup>5</sup> There is an 88% correlation between the rolling 1-year standard deviation of monthly returns of the Bloomberg Barclays EM Local Currency Government Diversified Index and the MSCI EM Currency Index.

[ssga.com/etfs](http://ssga.com/etfs)

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**Bond funds** contain interest rate risk (as interest rates rise bond prices usually fall); the risk of issuer default; issuer credit risk; liquidity risk; and inflation risk. There are additional risks for funds that invest in mortgage-backed and asset-backed securities including the risk of issuer default; credit risk and inflation risk.

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