Manulife Investment Management

Bonds:
The flight to safety

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Historically, what we have seen when stock markets weaken when you get a correction or a bear market, a correction being a drop in the stock market by greater than 10% but less than 20% where bear market where you see a drop in stocks of greater than 20%, the offset to that is a rally in bonds. Now this has been the historical relationship at inflection points. You can have periods of time when stocks are up and bonds are up or periods of time where stocks were down and bonds were down. While you would typically see bonds rally at inflection points for stocks or during corrections or bear markets, is that it is a flight to quality. There's a safety inherent in bonds that provide investors with protection to the downside opposite what stocks would provide, again in corrections or bear markets.

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