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Stock Market Investing Tips, Techniques, and Resources



Fixed Income Investments

By www.ProfitableInvestingTips.com

What are the best fixed income investments in an era of low interest rates? It depends if you want income or security. We offer a few thoughts about how you could invest the fixed-income part of your investment portfolio. Because your approach to fixed income investments in this era of low or even [negative interest rates](#) will depend on your philosophy, we look at this issue from two directions.

Fixed Income Investments for Maximum Income

If you need income from your fixed income investments in 2020, you need to accept greater risk in return. On the extreme end, junk bonds will offer a much higher interest rate than AA or AAA bonds, but you run the risk of losing your capital. *Market Watch* reported in June 2020 that [junk bonds sold in record numbers](#) as companies became desperate for cash. The spread between treasuries and junk bonds has been running at about 5% while the risk of losing your investment runs as high as 60%. In order to protect yourself against loss in this market you need to buy lots of high yield bonds across many companies in order to get the average risk of loss and the average return. Then you can expect to get a higher return and not lose everything. If you want to take this route, the best choice might be to look at a fixed income ETF that focuses on high yield bonds. You can find a list of [high yield bond ETFs](#) at ETFdb.com.

Fixed Income Investments for Maximum Security

The most secure fixed income investments are US Treasuries. These securities always offer lower interest rates than less-secure investments but are backed by the full faith and credit of the U.S. government. The best interest rate you can current get for a 30 year bond is just under 1.5% and for a six month bond, 0.13%.

The rationale for accepting such low rates is that you can protect your capital against losses in the stock and real estate markets and even gain more purchasing power over time if interest rates go negative.

Today's effective yield on AAA bonds is 1.58% according to [YCharts](#). This is a better yield than US Treasuries and reasonably safe as the only AAA US corporate bonds are those issues by Johnson & Johnson and Microsoft. Considering that tech stocks are currently in a downward slide, such bonds might well be a better choice than stocks until the Covid-19 crisis subsides and business gets back to usual. If the USA follows the EU, UK, and Japan into negative yield territory, bonds purchased at 1.5% will be more valuable than their initial prices as well as being safe havens in times of economic peril.

How you choose to go with fixed income investments will depend on your need for income as well as your need to protect your capital in a time when the social and economic future is doubtful. As with most investment choices, diversification may be your best protection.

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