

Press Release



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Treasury Bonds Provide Unique Hedge during Stress Events, According to Mellon Capital Management

BNY Mellon Asset Management Boutique Sees Characteristics Not Found Elsewhere

San Francisco, October 8, 2009 – Treasury bonds provide protection against economic shocks, a diversification characteristic that is typically not found in other asset classes, according to a recent analysis by Mellon Capital Management Corporation (MCM), part of BNY Mellon Asset Management.

“Our analysis demonstrates that while the correlation between stocks and Treasury bonds has varied over time, Treasuries consistently provided protection during periods of economic stress. Other asset classes historically used as substitutes for Treasury bonds often failed to provide the hedge investors were seeking,” said Ralph Goldsticker, managing director, strategic investments, at MCM. He did caution that Treasury bonds also expose investors to risks during periods of rising inflation and, therefore, may not provide protection in all periods of economic stress.

Goldsticker pointed to the periods of April 2000 to December 2003, when the tech and Internet bubble burst, and July 2007 to June 2009, the recent sub-prime and Lehman crises, as examples that illustrate the divergence between stock and Treasury bond performances during stress events.

“Both periods included economic crises that had bad news for stocks,” he said. “Stock prices fell because investors’ expectations of future earnings and growth rates fell. Stock prices were further depressed as perceived risk rose and investors demanded a higher rate of return. On the other hand, Treasury bonds rose in value as the Fed lowered interest rates, and increased risk aversion sent investors to bonds.”

Goldsticker said that both statistical and economic analyses demonstrate how the addition of Treasury bonds potentially can protect an equity portfolio during periods of economic stress.

Notes to Editors:

Founded in 1983 by innovators in the investment management field, Mellon Capital Management applies a disciplined and analytical approach to global investment management strategies. As of June 30, 2009, the firm had \$153 billion in assets under management, including assets managed by dual officers of Mellon Capital Management and BNY Mellon, and \$10 billion in overlay strategies. Additional information about Mellon Capital is available at www.mcm.com. It is part of BNY Mellon Asset Management, one of the world’s largest asset managers.

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