



## GLOBAL X ETFs RESEARCH

# Income Monitor: Q2 2020

Authored by:

**Rohan Reddy**  
Research Analyst

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The Global X Income Monitor for Q2 2020 can be [viewed here](#). This report seeks to provide broad, macro level insights into the income characteristics of various asset classes and strategies.

Q2 marked a sharp rebound for equity and credit markets after a Q1 decline. Economic data began to improve towards the end of Q2, and the S&P 500 rallied north of 20% over the course of the quarter.

Dividend yields and credit spreads contracted after a massive expansion in Q1. The S&P 500's 12-month dividend yield peaked at 2.70% in late March before finishing Q2 at a 1.95% yield, and investment grade spreads to the 10-year treasury fell by 164 basis points after topping out in late March.<sup>1</sup>

Treasury yields dropped to historically low levels as well. The 10-year Treasury yield ended last year at 1.92%, but by the end of Q2 fell to just 0.66%. Investors moving assets into more defensive asset classes and overwhelming support from the Federal Reserve contributed to yields falling.

Income is still challenging to come by with interest rates at near zero levels. One option to consider is covered call strategies, which generate income from selling call options on equity positions. Such an approach limits the upside of one's position in exchange for current income from the option premiums. Historically, periods of higher volatility have resulted in higher option premiums.

The intense equity market rally in technology-heavy indexes like the Nasdaq 100 could make the index an attractive candidate for a covered call strategy. Volatility has remained high on Nasdaq 100 and the run-up this year may raise questions about the persistence of the rally. For investors looking to generate income, a covered call strategy on the Nasdaq 100 may be an option worth considering.

1. Bloomberg. Data from peak in Q1 on 3/23/20 and measured through 6/30/20. Investment grade spreads to 10 year treasury measured by the CSI BBB Index.



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