Fixed Income Weekly Primer

Fixed Income Solutions

FIXED INCOME MARKETS WILL CLOSE AT 2PM ET ON FRIDAY, MAY 24TH

Inflation data was somewhat mixed last week. On Tuesday, PPI (Producer's Price Index) data came in higher than anticipated by nearly every measure while at the same time, the prior month's reading was revised lower. Treasury yields initially spiked higher on the release but the move higher was short-lived as yields quickly retraced their move before ending the day lower across the board. On Wednesday, CPI (Consumer Price Index) data was roughly inline with expectations although the headline month-over-month number was slightly lower than anticipated (0.3% versus 0.4% expected). This slight downside surprise was viewed by market participants as signaling progress towards the FOMC's inflation goals. At the same time as the CPI release, retail sales data for April came in weaker than expected across the board. This combination of data releases pushed yields sharply lower for the day on Wednesday as well as temporarily increased expectations for Fed Funds rate cuts this year and had the markets pricing in 50 basis points of total cuts by the end of the year (per Bloomberg calculations). Those reactions have pulled back and markets are currently only pricing in a 67% probability of 50 basis points of cuts by the end of the year. Through the final two trading days of the week, yields inched back higher, undoing some of the moves from the first half of the week.

For the week, Treasury yields finished lower by 3 to 8 basis points, with larger moves on the intermediate and long part of the curve. Investment-grade corporate yields mirrored the moves of the Treasury market as spreads remained mostly unchanged for the week. Municipal yields were mostly unchanged with most points on the AAA curve finishing the week within a basis point of where they started, although the 5 to 10 year part of the curve moved ~2 basis points higher. Muni-Treasury ratios remain below historical norms at ~60% at 10 years and ~82% at 30-years.

CD rates were mostly higher for the week. The number of available issuers increased (from 74 to 86). The total number of CDs available increased (from 159 to 204). 63 issuers listed offerings between 3-months and 1-year totaling $15.75mm (vs. last week's $11.5mm) and averaging a 5.257% yield-to-maturity (vs. last week's 5.238%). 82 issuers listed offerings between 3-months and 5-years totaling $20.5mm (vs. last week's $17mm) and averaging a 5.210% yield-to-maturity (vs. last week's 5.167%).

	Friday	WEEK AGO	CHANGE
Equities (Price Appreciation)			
S&P 500	5303.27	5222.68	80.59
Treasuries (YTW)			
1 yr	5.140	5.170	-0.030
5 yr	4.440	4.520	-0.080
10 yr	4.420	4.500	-0.080
30 yr	4.560	4.640	-0.080
Brokered CDs (YTW)			
3 mo	5.400	5.300	0.100
6 mo	5.350	5.300	0.050
1 yr	5.250	5.200	0.050
3 yr	4.900	4.900	0.000
5 yr	4.650	4.600	0.050

	Friday	WEEK AGO	CHANGE
Municipal (AAA) (YTW)			
1 yr	3.296	3.306	-0.010
5 yr	2.684	2.660	0.024
10 yr	2.652	2.637	0.015
30 yr	3.785	3.790	-0.006
Municipal (AAA) TEY @ 37%			
1 yr	5.232	5.248	-0.016
5 yr	4.261	4.222	0.038
10 yr	4.210	4.185	0.024
30 yr	6.008	6.017	-0.009
MBS 30-yr (Current Coupon) (YTW)			
FNMA	5.829	5.930	-0.100
GNMA	5.648	5.774	-0.126

	Friday	WEEK AGO	CHANGE
Corporate Index (A) (YTW)			
1 yr	5.410	5.438	-0.028
5 yr	4.990	5.053	-0.063
10 yr	5.275	5.365	-0.090
30 yr	5.517	5.590	-0.074
Corporate Index (BBB) (YTW)			
1 yr	5.745	5.777	-0.033
5 yr	5.335	5.409	-0.074
10 yr	5.662	5.752	-0.090
30 yr	5.835	5.910	-0.075
Other Rates			
3m LIBOR	5.587	5.584	0.004
Fed Funds	5.310	5.310	0.000

Source: Bloomberg LP, Raymond James as of 05/20/24 *All entries are percentage (%) unless otherwise noted.*

DAY	EVENT	PERIOD	SURVEY	PRIOR
Wed	FOMC Meeting Minutes	May 1	-	-
Thurs	S&P Global US Services PMI	May P	49.9	50.0
Fri	Durable Goods Orders	Apr P	-0.7%	2.6%
Fri	UMich Sentiment	May F	67.7	67.4
Fri	UMich 1-Year Inflation	May F	-	3.5%

Available on RaymondJames.com

- Bond Market Commentary
- Weekly Interest Rate Monitor
- Municipal Bond Investor Weekly
- Fixed Income Quarterly

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Investors should discuss the risks inherent in bonds with their Raymond James Financial Advisor. Risks include, but are not limited to, changes in interest rates, liquidity, credit quality, volatility, and duration. Past performance is no assurance of future results.

CDs offer FDIC insurance and a fixed rate of return whereas both principal and yield of investment securities will fluctuate with changes in market conditions. CDs are insured by the Federal Deposit Insurance Corporation (FDIC), an independent agency of the United States government, for up to $250,000 per depositor. The coverage limit refers to the total of all deposits that an account holder(s) has at each FDIC-insured bank.

The DJIA (Dow Jones Industrial Average) is a price-weighted index of 30 significant stocks. The S&P 500 is an index of 500 widely held securities meant to reflect the risk/return characteristics of the large cap universe. The NASDAQ Composite Index is an index of all stocks traded on the NASDAQ over-the-counter market. The Russell 2000 index is an index of small cap securities which generally involve greater risks. The Markit CDX indices are composed of 125 investment grade entities, and attempt to track credit default swap spreads on these underlying securities. These unmanaged indexes cannot be invested in directly.

GDP(Gross Domestic Product) is the annual total market value of all final goods and services produced domestically by the U.S.

The S&P U.S. Preferred Index measures the performance of a select group of preferred stocks listed on the New York Stock Exchange, NYSE Arca, Inc., NYSE Amex,NASDAQ Global Select Market, NASDAQ Select Market or NASDAQ Capital Market.

Mortgage Backed securities (MBS) are exposed to various risks including but not limited to credit (risk of default of principal and interest payments), market, interest rate, prepayment, and reinvestment risks. Unless issued by GNMA, MBS's are not backed or guaranteed by any government agency.

The Mortgage Bankers Association Market Composite Index is a measure of mortgage loan application volume.

The Bloomberg U.S. Corporate Bond Indexes are comprised of the "active" (most frequently traded) fixed coupon bonds represented by FINRA TRACE, FINRA's transaction reporting facility that disseminates all over-the-counter secondary market transactions in these public bonds.

The Citigroup Investment Grade Bond Index measures the value of the broad U.S. investment-grade bond market, including over 6,000 U.S. Treasury, government agency, corporate and mortgage-backed securities. All bonds in this index must be investment grade (rated at least BBB- or Baa3), have a maturity of at least one year, and a total value outstanding of at least $200 million.

The Markit CDX North America Investment Grade Index is composed of 125 equally weighted credit default swaps on investment grade entities, distributed among 6 sub-indices: High Volatility, Consumer, Energy, Financial, Industrial, and Technology, Media & Tele-communications. Markit CDX indices roll every 6 months in March & September.

A credit rating of a security is not a recommendation to buy, sell or hold securities and may be subject to review, revisions, suspension, reduction or withdrawal at any time by the assigning rating agency.

U.S. Treasury securities are guaranteed by the U.S. government and, if held to maturity, offer a fixed rate of return and guaranteed principal value.

Taxable Equivalent Yield (TEY) is a method of comparing yields of tax-exempt bonds to those of taxable bonds on a pre-tax basis. TEY is the yield required on a taxable bond to equal the yield of a tax-free bond. It is calculated by dividing the tax-free yield by the reciprocal of the federal tax rate. The highest U.S. tax bracket of 37% is used in the illustration in this material. While interest on municipal bonds is generally exempt from federal income tax, it may be subject to the federal alternative minimum tax, or state or local taxes. In addition, certain municipal bonds, such as Build America Bonds (BAB), are issued without a federal tax exemption, which subjects the related interest income to federal income tax.

The Bloomberg U.S. municipal curve is populated with high quality US municipal bonds with an average rating of AAA from Moody's and S&P. The yield curve is built using non-parametric fit of market data obtained from the Municipal Securities Rulemaking Board, new issues, and other proprietary contributed prices. The curve represents 5% couponing. The 3 month to 10 year points are bullet yields, and the 11 year to 30 year points are yields to worst for a 10-year call.

Yield-to-worst (YTW) is the lowest bond yield generated, given the potential stated calls prior to maturity.

An investment cannot be made in the unmanaged indexes mentioned in this material.

A basis point (BP) is a unit that is equal to 1/100th of 1%, and is used to denote the change in a financial instrument.

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