RAYMOND JAMES

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Fixed Income Weekly Primer

Fixed Income Solutions

Yields were mixed last week with no clear theme taking the markets strongly in either direction. Treasury yields were higher on the short part of the curve with 1 to 5 year yields increasing by 4 to 6 basis points while intermediate and longer-term yields were unchanged to slightly lower. Investment-grade corporate bond yields were higher from 10 years in by 2 to 6 basis points and unchanged on the longer parts of the curve. Municipal bonds rallied, taking yields lower across the curve. The benchmark AAA curve was lower by 6 to 7 basis points for the week. Muni-Treasury ratios fell and currently sit at ~59% at 10-years, ~75% at 20-years, and ~82% at 30-years. While all of these ratios remain below historical averages, they highlight the more attractive relative value that is available in municipal bonds on the longer parts of the curve.

A wide range of economic data releases are scheduled this week so there is a good chance that there could be more volatility in the markets than we saw last week. On Tuesday, inflation data in the form of Producer Price Index (PPI) data is released with market expectations being for a slight rise in both month-over-month and year-over-year PPI for April. On Wednesday, we get a range of data points as both Consumer Price Index (CPI) and retail sales numbers come out. While CPI is not the primary gauge that the FOMC uses to measure inflation, it is still an important indicator as it shines light on overall trends and can heavily influence market sentiment on inflation. CPI is expected to be somewhat mixed with core inflation (which excludes food and energy) expected to fall both month-over-month and year-over-year while headline month-over-month inflation is projected to go unchanged. Retail sales is expected to fall month-over-month from 0.7% to 0.4%. And then on Thursday, housing data is released along with import and export price index data.

CD rates were mostly unchanged for the week. The number of available issuers increased (from 58 to 74). The total number of CDs available increased (from 135 to 159). 46 issuers listed offerings between 3-months and 1-year totaling $11.5mm (vs. last week's $11.75mm) and averaging a 5.238% yield-to-maturity (vs. last week's 5.241%). 68 issuers listed offerings between 3-months and 5-years totaling $17mm (vs. last week's $14.5mm) and averaging a 5.167% yield-to-maturity (vs. last week's 5.211%).

	Friday	WEEK AGO	CHANGE
Equities (Price Appreciation)			
S&P 500	5222.68	5127.79 ▲	94.89
Treasuries (YTW)			
1 yr	5.170	5.120 ▲	0.050
5 yr	4.520	4.480 ▲	0.040
10 yr	4.500	4.500 ▬	0.000
30 yr	4.640	4.660 ▼	-0.020
Brokered CDs (YTW)			
3 mo	5.300	5.350 ▼	-0.050
6 mo	5.300	5.300 ▬	0.000
1 yr	5.200	5.150 ▲	0.050
3 yr	4.900	4.900 ▬	0.000
5 yr	4.600	4.600 ▬	0.000

	Friday	WEEK AGO	CHANGE
Municipal (AAA) (YTW)			
1 yr	3.306	3.383 ▼	-0.077
5 yr	2.660	2.718 ▼	-0.057
10 yr	2.637	2.704 ▼	-0.067
30 yr	3.790	3.861 ▼	-0.071
Municipal (AAA) TEY @ 37%			
1 yr	5.248	5.370 ▼	-0.122
5 yr	4.222	4.313 ▼	-0.091
10 yr	4.185	4.291 ▼	-0.106
30 yr	6.017	6.129 ▼	-0.112
MBS 30-yr (Current Coupon) (YTW)			
FNMA	5.930	5.926 ▲	0.004
GNMA	5.774	5.752 ▲	0.022

	Friday	WEEK AGO	CHANGE
Corporate Index (A) (YTW)			
1 yr	5.438	5.388 ▲	0.050
5 yr	5.053	5.010 ▲	0.042
10 yr	5.365	5.341 ▲	0.024
30 yr	5.590	5.597 ▼	-0.006
Corporate Index (BBB) (YTW)			
1 yr	5.777	5.745 ▲	0.033
5 yr	5.409	5.364 ▲	0.046
10 yr	5.752	5.729 ▲	0.023
30 yr	5.910	5.917 ▼	-0.007
Other Rates			
3m LIBOR	5.584	5.589 ▼	-0.006
Fed Funds	5.310	5.310 ▬	0.000

Source: Bloomberg LP, Raymond James as of 05/13/24 *All entries are percentage (%) unless otherwise noted.*

DAY	EVENT	PERIOD	SURVEY	PRIOR
Tues	PPI Final Demand MoM	Apr	0.3%	0.2%
Wed	CPI YoY	Apr	3.4%	3.5%
Wed	CPI MoM	Apr	0.4%	0.4%
Wed	CPI Ex Food & Energy MoM	Apr	0.3%	0.4%
Wed	Retail Sales Advance MoM	Apr	0.4%	0.7%

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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