Fixed Income Weekly Primer

Fixed Income Solutions

Consumer Price Index (CPI), which is a widely viewed inflation indicator, data for October was in line with expectations. Year-over-year CPI came in at 2.6%, which was an increase from the prior month's reading of 2.4%. Core CPI was unchanged from the prior month at 3.3%. More inflation data was released Thursday in the form of PPI (Producer Price Index), where both year-over-year and month-over-month readings rose from the prior month and came out slightly higher than expectations. On Friday, Retail Sales data came out higher than expected, at 0.4% month-over-month versus 0.3% expected. Economic data releases combined with the anticipated post-election political headlines have caused volatility in market expectations for future FOMC policy decisions. At the start of last week, per Bloomberg's Fed Funds futures market calculations, there was a 58% chance that the FOMC would cut the Fed Funds rate by 25 basis points at the December meeting. By Thursday, those odds had risen to over 82%; by Friday, they were back down to 58%. So as things stand right now, odds for a 25 basis point cut next month are a little better than a coin-flip and a total of 75 basis points of cuts are priced in between now and the end of 2025. The end of 2025 forecast for Fed Funds is 50 basis points higher than it was a month ago, which helps to explain the push higher in yields across the Treasury curve that we have seen over that timeframe.

This week is lighter on the economic data front than the past few weeks, with the highlights being Initial Jobless Claims and S&P Global PMI data on Thursday, followed by the University of Michigan Consumer Sentiment on Friday. In addition to economic news, any headlines out of the incoming Trump administration regarding appointments or policy initiatives would likely have a strong influence on markets.

Treasury yields rose last week, with larger moves coming across the intermediate and long part of the curve. Short-term yields rose by 1 to 2 basis points, while longer-term yields were higher by 10 to 13 basis points. Investment-grade corporate yields rose as well, moving higher by 4 to 20 basis points across the curve as spreads widened slightly. Municipal yields were unchanged to slightly lower with the benchmark AAA curve essentially unchanged 5 years and shorter and 1 to 2 basis points lower from 10 to 30 years.

CD rates were mostly lower for the week. The number of available issuers increased (from 51 to 68). The total number of CDs available decreased (from 146 to 125). 46 issuers listed offerings between 3-months and 1-year totaling $11.5mm (vs. last week's $11.75mm) and averaging a 4.340% yield-to-maturity (vs. last week's 4.362%). 63 issuers listed offerings between 3-months and 5-years totaling $11.75mm (vs. last week's $14mm) and averaging a 4.300% yield-to-maturity (vs. last week's 4.324%).

	Friday	WEEK AGO	CHANGE
Equities (Price Appreciation)			
S&P 500	5870.62	5995.54	-124.92
Treasuries (YTW)			
1 yr	4.340	4.320	0.020
5 yr	4.300	4.200	0.100
10 yr	4.430	4.300	0.130
30 yr	4.600	4.470	0.130
Brokered CDs (YTW)			
3 mo	4.500	4.500	0.000
6 mo	4.300	4.400	-0.100
1 yr	4.250	4.250	0.000
3 yr	4.100	4.000	0.100
5 yr	4.050	4.000	0.050

	Friday	WEEK AGO	CHANGE
Municipal (AAA) (YTW)			
1 yr	2.819	2.826	-0.007
5 yr	2.674	2.684	-0.009
10 yr	2.960	2.973	-0.013
30 yr	3.685	3.708	-0.023
Municipal (AAA) TEY @ 37%			
1 yr	4.474	4.486	-0.012
5 yr	4.245	4.260	-0.014
10 yr	4.698	4.718	-0.020
30 yr	5.849	5.885	-0.036
MBS 30-yr (Current Coupon) (YTW)			
FNMA	5.793	5.617	0.177
GNMA	5.712	5.504	0.208

	Friday	WEEK AGO	CHANGE
Corporate Index (A) (YTW)			
1 yr	4.662	4.615	0.047
5 yr	4.786	4.639	0.146
10 yr	5.196	5.024	0.173
30 yr	5.530	5.335	0.194
Corporate Index (BBB) (YTW)			
1 yr	4.943	4.907	0.036
5 yr	5.087	4.958	0.129
10 yr	5.530	5.365	0.166
30 yr	5.847	5.649	0.198
Other Rates			
SOFR	4.570	4.600	-0.030
Fed Funds	4.560	4.560	0.000

Source: Bloomberg LP, Raymond James as of 11/18/24 *All entries are percentage (%) unless otherwise noted.*

DAY	EVENT	PERIOD	SURVEY	PRIOR
Thurs	Initial Jobless Claims	Nov 16	220k	217k
Fri	S&P US Manufacturing PMI	Nov P	48.9	48.5
Fri	S&P US Services PMI	Nov P	55.1	55.0
Fri	S&P US Composite PMI	Nov P	54.4	54.1
Fri	UMich Sentiment	Nov F	73.7	73.0

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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