RAYMOND JAMES

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Fixed Income Weekly Primer

Fixed Income Solutions

FIXED INCOME MARKETS WILL BE CLOSED ON WEDNESDAY, JUNE 19TH

Nothing unexpected came out of the FOMC meeting last week. The Fed Funds rate was left unchanged at a target range of 5.25% to 5.50% while the accompanying statement only contained a slight modification where they mentioned the progress towards their inflation goal shifted from a "lack of further progress" in the previous statement to "modest progress" in the current statement. The FOMC also updated their Summary of Economic Projections at the meeting. They notably increased their estimate for PCE (Personal Consumption Expenditures) to 2.6% in 2024 compared to their March estimate of 2.4%. Their Core PCE estimate also increased from March, moving from 2.6% to 2.8%. Along with their economic forecasts, they also increased an updated dot plot, which shows the anonymous predictions by FOMC members for where the Fed Funds rate will be at the end of the next few years. The dot plot showed that the median estimate had moved from two 25 basis point rate cuts by the end of the year to just one 25 basis point cut. Markets, according to Bloomberg calculations, are still pricing in two rate cuts by the end of the year. Prior to the FOMC release on Wednesday afternoon, CPI (Consumer Price Index) data was released and came in lower than expected by both the core and headline measures. This sent yields sharply lower as it shows progress towards the FOMC's inflation goals. This week, retail sales data is released on Tuesday followed by S&P Global US PMI data on Thursday. In addition to economic releases, there is a busy slate of FOMC member speeches planned over the course of the week which can potentially be more market-moving than economic data points.

Yields moved lower across the board last week, mostly driven by Wednesday's CPI release. For the week, Treasury yields were down by 10 to 24 basis points. Investment-grade corporate yields dropped as well, but by slightly smaller margins than benchmark yields. Short and intermediate yields fell by 6 to 19 basis points as spreads widened by ~5 basis points. Municipal yields fell as well with the benchmark AAA curve moving lower by 11 to 12 basis points.

CD rates were mostly higher for the week. The number of available issuers increased (from 96 to 105). The total number of CDs available increased (from 192 to 209). 75 issuers listed offerings between 3-months and 1-year totaling $18.75mm (vs. last week's $16mm) and averaging a 5.382% yield-to-maturity (vs. last week's 5.362%). 93 issuers listed offerings between 3-months and 5-years totaling $23.25mm (vs. last week's $23.5mm) and averaging a 5.350% yield-to-maturity (vs. last week's 5.259%).

	Friday	WEEK AGO	CHANGE
Equities (Price Appreciation)			
S&P 500	5431.60	5346.99	84.61
Treasuries (YTW)			
1 yr	5.070	5.170	-0.100
5 yr	4.220	4.460	-0.240
10 yr	4.200	4.430	-0.230
30 yr	4.340	4.550	-0.210
Brokered CDs (YTW)			
3 mo	5.450	5.450	0.000
6 mo	5.400	5.400	0.000
1 yr	5.350	5.350	0.000
3 yr	4.950	4.950	0.000
5 yr	4.700	4.700	0.000

	Friday	WEEK AGO	CHANGE
Municipal (AAA) (YTW)			
1 yr	3.138	3.261	-0.123
5 yr	2.868	2.980	-0.113
10 yr	2.801	2.921	-0.120
30 yr	3.697	3.799	-0.102
Municipal (AAA) TEY @ 37%			
1 yr	4.980	5.176	-0.195
5 yr	4.552	4.731	-0.179
10 yr	4.446	4.636	-0.190
30 yr	5.867	6.030	-0.162
MBS 30-yr (Current Coupon) (YTW)			
FNMA	5.673	5.877	-0.204
GNMA	5.556	5.745	-0.189

	Friday	WEEK AGO	CHANGE
Corporate Index (A) (YTW)			
1 yr	5.374	5.448	-0.073
5 yr	4.842	5.025	-0.183
10 yr	5.115	5.297	-0.182
30 yr	5.369	5.529	-0.159
Corporate Index (BBB) (YTW)			
1 yr	5.698	5.761	-0.063
5 yr	5.204	5.373	-0.169
10 yr	5.496	5.674	-0.178
30 yr	5.686	5.846	-0.160
Other Rates			
3m LIBOR	5.606	5.596	0.010
Fed Funds	5.310	5.310	0.000

Source: Bloomberg LP, Raymond James as of 06/17/24 *All entries are percentage (%) unless otherwise noted.*

DAY	EVENT	PERIOD	SURVEY	PRIOR
Tues	Retail Sales Advance MoM	May	0.3%	0.0%
Tues	Capacity Utilization	May	78.6%	78.4%
Tues	Industrial Production MoM	May	0.3%	0.0%
Thurs	Initial Jobless Claims	Jun 15	235k	242k
Thurs	Housing Starts	May	1375k	1360k

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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