

DAY	EVENT	PERIOD	SURVEY	PRIOR	NOTE
Tues	Advance Retail Sales (m/m)	Oct	0.60%	0.60%	A busy week for economic data, even though markets are much more focused on the Trump presidency at the time being. Additionally, there will be a large number of Fed members making public statements this week and markets will once again begin to remember monetary policy, not just fiscal as has been the flavor of the last week.
Wed	PPI Final Demand (m/m)	Oct	0.30%	0.30%	
Wed	Industrial Production (m/m)	Oct	0.20%	0.10%	
Thurs	CPI (m/m)	Oct	0.40%	0.30%	
Thurs	CPI ex Food & Energy (m/m)	Oct	0.20%	0.10%	

Bond Vigilantes to Trump: Be Careful ([Bloomberg](#))

Dollar Jumps to 1yr High With Higher US Inflation, Fed Hike in View ([MarketWatch](#))

Fixed Income Market Commentary by Kevin Giddis ([RaymondJames.com](#))

[Raymond James Bond Market Commentary](#)

[Weekly Rates](#), [Index Monitor](#), and [Chartbook](#)

External Links: [Investing In Bonds](#) and [MSRB](#)

TREASURIES

It's all about the markets attempting to price uncertainty, and there's plenty of it to go around. Yields around the globe are surging after Trump's unexpected victory. Future fiscal policy speculation is leaving many scratching their heads when it comes to just how much Trump is willing/able to increase the federal deficit though assumed tax cuts and infrastructure investments. Meanwhile, his trade-related rhetoric is causing the markets to worry that inflation might shoot higher, but not for growth-related reasons. 10 and 30-year Treasury yields have now reversed their entire move lower for 2016 and now sit at their highest levels since the turn of the calendar year. Going beyond rising rates, the 10y "term premium" or the extra yield investors demand to own longer-term Treasuries is finally turning positive after being negative at the start of the year. This metric measures the uncertainty regarding future rates, inflation and supply/demand for such securities going forward. This metric is typically positive, as investors should be compensated for locking their money up for longer periods of time, but recent demand for duration has skewed the term premium negative as demand outpaced supply in recent months. On the technical front, the Bloomberg relative-strength index (RSI), a popular measure of overbought/oversold, shows that Treasury yields are at their most oversold levels since 2007. Given the "uncertainty backdrop", it's unclear if the recent trend will reverse but it's something to watch nonetheless.

Although the last few weeks have seen a selloff, it's important to remember the longer-term view: **bond indices across the board are still positive year-to-date**, some significantly so. For more information please see our Weekly Index Monitor ([here](#)). Through Friday, benchmark 5, 10 and 30 year Treasury total returns are still up 2.22%, 2.41% and 3.38% respectively.

BROKERED CDs

The number of banks available in the market went up by 9 for a total of 80. However, line items declined slightly by 7 offerings, leaving a total of 194. We are currently able to build a \$12mm ladder in the 3-month to 12-month range which is lower than last week's \$12.25mm while the average yield increased slightly to 0.651% from 0.644%. In the 3-month to 5-year range, we can support a \$18.5mm ladder, more than \$1mm higher than last week, and the average yield increased to 0.977% from 0.948%. For Investors looking for tax time CDs, there was only one available, ZB NA Bank maturing 4/13/17 with a 0.55% yield. Yields were mostly unchanged and we should see updated offerings and yields beginning Tuesday.

MUNICIPALS

The Week Ahead... New issue volume for the upcoming week is expected to come in much higher than last week's total, at an estimated \$11.5 billion. In one of the larger issues of the week, Salt River Agricultural Improvement and Power District (AZ) is bringing a ~\$720mm refunding deal to market, with ratings of Aa1/AA. The Los Angeles Department of Airports is bringing a ~\$660mm deal to market, split between a subordinate revenue AMT series (A1/AA-) and a senior revenue refunding taxable series (Aa3/AA/AA). Also out in Los Angeles, the Los Angeles Metropolitan Transportation Authority is coming to market with a \$515mm senior sales tax revenue issue rated Aa1 by Moody's.

(See other new issues in our calendar [here](#))

CORPORATES

As observers have noticed, markets have moved rapidly on the heels of the election. Credit markets are no exception, as they are "tied" to interest rates by being spread to Treasuries, thus corporate bonds are now approximately 50 basis points (bp) higher in yield than they were the night of the election (10yr benchmark). While rates can't seem to "catch a ceiling" at the moment, the relative strength of credit has held fairly steady, and many analysts are calling for a bullish 2017 from a spread-to-treasury perspective. Spreads remain near their recent tights, with the Barclays IG Index closing the week at 130 basis points – the tight for 2016 is 129bp and over the past three years (2014 tight) was 97bp. Narrower/lower spreads indicate a decline in perceived credit risk.

	Friday	WEEK AGO	CHANGE	1-YR AGO
Equities (Price Appreciation)				
DJIA	18807.88	17930.67	▲ 877.21	17448.07
S&P 500	2167.48	2088.66	▲ 78.82	2045.97
Nasdaq	5208.80	5058.41	▲ 150.39	5005.08
Treasuries				
1 yr	0.720	0.640	▲ 0.080	0.510
2 yr	0.920	0.810	▲ 0.110	0.890
5 yr	1.560	1.260	▲ 0.300	1.730
10 yr	2.150	1.820	▲ 0.330	2.320
30 yr	2.940	2.600	▲ 0.340	3.090
Brokered CDs				
3 mo	0.500	0.600	▼ -0.100	0.450
6 mo	0.650	0.700	▼ -0.050	0.500
1 yr	0.850	0.900	▼ -0.050	0.750
2 yr	1.250	1.250	0.000	1.250
3 yr	1.400	1.400	0.000	1.700
4 yr	1.650	1.550	▲ 0.100	2.050
5 yr	1.800	1.800	0.000	2.300
10 yr	2.150	2.100	▲ 0.050	2.900
Municipal G.O. (AAA) MMD Scale				
1 yr	0.710	0.680	▲ 0.030	0.300
2 yr	0.870	0.820	▲ 0.050	0.720
5 yr	1.240	1.120	▲ 0.120	1.320
10 yr	1.940	1.690	▲ 0.250	2.190
30 yr	2.760	2.520	▲ 0.240	3.190
Municipal G.O. (AAA) MMD TEY @39.6%				
1 yr	1.175	1.126	▲ 0.050	0.497
2 yr	1.440	1.358	▲ 0.083	1.192
5 yr	2.053	1.854	▲ 0.199	2.185
10 yr	3.212	2.798	▲ 0.414	3.626
30 yr	4.570	4.172	▲ 0.397	5.281
MBS 30-yr (Current Coupon)				
FNMA	2.844	2.543	▲ 0.301	3.038
GNMA	2.607	2.377	▲ 0.230	2.880
Corporate Index (A)				
1 yr	1.207	1.140	▲ 0.067	0.863
2 yr	1.525	1.403	▲ 0.122	1.434
5 yr	2.265	2.022	▲ 0.243	2.576
10 yr	3.125	2.845	▲ 0.280	3.560
30 yr	4.155	3.892	▲ 0.263	4.477
Corporate Index (BBB)				
1 yr	1.524	1.449	▲ 0.075	1.382
2 yr	1.901	1.775	▲ 0.126	1.959
5 yr	2.752	2.518	▲ 0.234	3.185
10 yr	3.699	3.437	▲ 0.262	4.290
30 yr	4.696	4.471	▲ 0.225	5.093
Corporate CDS Index (bps)				
5 yr	75.25	80.47	▼ -5.23	82.90
Other Rates				
3m LIBOR	0.902	0.881	▲ 0.021	0.362
Fed Funds*	0.250	0.250	0.000	0.000

(Source: Bloomberg LP, MMD, Raymond James) as of 11/14/16

*Lower bound of range. All entries are percentage (%) unless otherwise noted.

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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.

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.

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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 39.6% 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.

Municipal Market Data (MMD) AAA generic curves evaluate non-AMT blocks of \$2m or more and assume a 10-year PAR call and a 5.00% coupon structure.

The Bloomberg U.S. municipal general obligation curve includes bonds with an average rating of AZ+ from Moody's and S&P. The option-free yield curve is built using option-adjusted spread models. The yield curve is comprised from contributed pricing from the Municipal Securities Rulemaking Board (MSRB), new issue calendars and other proprietary contributed prices.

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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