TREASURIES
Treasury yields were mixed last week as maturities of 10 years and shorter rallied taking yields lower while the 20 and 30 year maturities sold off resulting in higher yields on the long end. The 2 year Treasury note is yielding 0.166%, the 10 year note is yielding 0.667% and the 30 year bond is yielding 1.437% as of today. ISM (Institute of Supply Management) data will be released Thursday. Jobless Claims and Continuing Claims will be released Saturday. The Employment Report will be released Friday with the Change in NonFarm Payrolls (est. -8.8mm) and the Unemployment Rate (expected up to 19.7% from 14.7% last month) being the headline.

BROKERED CDs
CD rates were mostly lower for the week. The number of available issuers decreased by 7 (from 49 to 42). The total number of CDs available also decreased (from 123 to 105). 14 issuers listed offerings between 3-months and 1-year totaling $3.5mm (vs. last week’s $5.25mm) and averaging a 0.139% yield-to-maturity (vs. last week’s 0.137%). 37 issuers listed offerings between 3-months and 5-years totaling $9.25mm (vs. last week’s $11.25mm) and averaging a 0.410% yield-to-maturity (vs. last week’s 0.410%).

MUNICIPALS
Municipal yields moved slightly lower for the week, with moves of 1-3 basis points across the curve. This caps off the month of May which saw yields march steadily lower from start to finish, as investors continued to seek out high-quality, tax-efficient investments. The week ended May 27th saw ~$2.3 billion of inflows into municipal mutual funds and ETFs. The intermediate part of the curve currently provides the most value to investors, as beyond 15-years, the municipal AAA curve flattens out. May finished the month with $27.99 billion in new issuance, according to the Bond Buyer, a 4.2% drop from the same month in 2019. For the upcoming week, $6 billion is expected to come to market. Some of the larger deals include: the New York City Municipal Water Finance Authority (Aa1/AA+/AA+) with a $628 million water and sewer system revenue bond issue; the Washington Metropolitan Area Transit Authority (-/AA+/AAA) has a $545 million dedicated revenue deal; the City of Riverside, CA (-/AA+/AA-) has a $430 million taxable pension obligation issue, and the Massachusetts Bay Transportation Authority (Aa3/AA) is selling $392 million of subordinated sales tax bonds. See the New Issue Calendar for new issuance coming to market this week, but note that scheduled transactions are highly subject to change given the extreme market volatility.

CORPORATES
Investment-grade corporate yields moved lower last week as fixed income investors continue to seek out high quality bonds. Yields fell by 9-12 basis points across the A-rated curve. We continue to see value in the intermediate part of the curve, with the 3-8 year window providing the most value for both the A-rated and BBB-rated curve. Taxable mutual funds and ETFs saw another strong week of inflows, with ~$16.1 billion for the week ended May 27th according to ICI data. This puts the total for the last 4 weeks at ~$58.5 billion of total inflows into taxable funds. Bloomberg estimates are calling for $35-40 billion in investment-grade issuance for the upcoming week and up to $10 billion in the high-yield space.
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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.

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 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.

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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