RAYMOND JAMES

March 11, 2024

Fixed Income Weekly Primer

Fixed Income Solutions

Friday's employment data caused some short-term volatility, as yields bounced around Friday morning while markets digested the data. On one level, the headline number looked strong as nonfarm payrolls increased by 275,000 in February compared to the 200,000 that was expected. Yet, some of the other data points that were released painted a slightly different picture. Net payroll revisions was -167,000, meaning that 167,000 that were previously thought to have been created over the prior two months did not actually get created. The unemployment rate increased from 3.7% to 3.9%. There was a loss of 4,000 manufacturing jobs, while expectations were for 7,000 jobs to be created. And the labor force participation rate came in lower than expected at 62.5% versus 62.6% expected. None of these numbers are by themselves overly discouraging, but in all, paint a less rosy picture than the headline number might lead you to believe. This week, CPI data released on Tuesday is the main event with markets focused on any inflation-related measure. CPI year-over-year is expected to remain steady at 3.1% while month-over-month CPI is projected to rise from 0.3% to 0.4%. On Thursday, both retail sales and PPI data for February is released. And on Friday, import and export price data comes out along with University of Michigan Consumer Sentiment Survey data for March. Markets are currently expecting the FOMC to cut rates for the first time at the June 12 meeting, with just a 23% chance given to the May meeting according to Bloomberg calculations.

Yields fell across the board last week. Treasury yields trended steadily lower over the course of the week, finishing the week down by 2 to 11 basis points, with the belly of the curve seeing the largest drops. Investment-grade corporate yields followed benchmark yields lower by essentially the same margin. Investment-grade spreads remained mostly steady for the week. Municipal yields fell as well, although by a smaller margin and in a more uniform manner across the curve. The benchmark AAA curve was lower by ~4 to 6 basis points.

CD rates were mostly lower for the week. The number of available issuers decreased (from 71 to 67). The total number of CDs available increased (from 146 to 168). 43 issuers listed offerings between 3-months and 1-year totaling $10.75mm (vs. last week's $14.25mm) and averaging a 5.257% yield-to-maturity (vs. last week's 5.254%). 64 issuers listed offerings between 3-months and 5-years totaling $16mm (vs. last week's $17.25mm) and averaging a 5.145% yield-to-maturity (vs. last week's 5.219%).

	Friday	WEEK AGO	CHANGE
Equities (Price Appreciation)			
S&P 500	5123.69	5137.08	-13.39
Treasuries (YTW)			
1 yr	4.920	4.940	-0.020
5 yr	4.060	4.170	-0.110
10 yr	4.090	4.190	-0.100
30 yr	4.260	4.330	-0.070
Brokered CDs (YTW)			
3 mo	5.350	5.300	0.050
6 mo	5.250	5.250	0.000
1 yr	5.100	5.150	-0.050
3 yr	4.600	4.650	-0.050
5 yr	4.300	4.350	-0.050

	Friday	WEEK AGO	CHANGE
Municipal (AAA) (YTW)			
1 yr	2.910	2.948	-0.037
5 yr	2.383	2.444	-0.061
10 yr	2.444	2.509	-0.065
30 yr	3.592	3.639	-0.047
Municipal (AAA) TEY @ 37%			
1 yr	4.619	4.679	-0.059
5 yr	3.783	3.880	-0.097
10 yr	3.879	3.983	-0.104
30 yr	5.701	5.776	-0.075
MBS 30-yr (Current Coupon) (YTW)			
FNMA	5.508	5.716	-0.207
GNMA	5.432	5.672	-0.240

	Friday	WEEK AGO	CHANGE
Corporate Index (A) (YTW)			
1 yr	5.267	5.311	-0.044
5 yr	4.692	4.806	-0.114
10 yr	5.008	5.125	-0.116
30 yr	5.279	5.361	-0.083
Corporate Index (BBB) (YTW)			
1 yr	5.609	5.652	-0.043
5 yr	5.118	5.217	-0.098
10 yr	5.425	5.548	-0.123
30 yr	5.606	5.693	-0.087
Other Rates			
3m LIBOR	5.582	5.593	-0.010
Fed Funds	5.310	5.310	0.000

Source: Bloomberg LP, Raymond James as of 03/11/24 *All entries are percentage (%) unless otherwise noted.*

DAY	EVENT	PERIOD	SURVEY	PRIOR
Tues	CPI YoY	Feb	3.1%	3.1%
Tues	CPI MoM	Feb	0.4%	0.3%
Tues	CPI Ex Food & Energy YoY	Feb	3.7%	3.9%
Thurs	Retail Sales Advance MoM	Feb	0.3%	0.3%
Fri	Capacity Utilization	Feb	78.5%	78.5%

Available on RaymondJames.com

- Bond Market Commentary
- Weekly Interest Rate Monitor
- Municipal Bond Investor Weekly
- Fixed Income Quarterly

The author of this material is a Trader in the Fixed Income Department of Raymond James & Associates (RJA), and is not an Analyst. Any opinions expressed may differ from opinions expressed by other departments of RJA, and are subject to change without notice.

The data and information contained herein was obtained from sources considered to be reliable, but RJA does not guarantee its accuracy and/or completeness. Neither the information nor any opinions expressed constitute a solicitation for the purchase or sale of any security referred to herein.

This material may include analysis of sectors, securities and/or derivatives that RJA may have positions, long or short, held proprietarily. RJA or its affiliates may execute transactions which may not be consistent with the report's conclusions. RJA may also have performed investment banking services for the issuers of such securities.

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.

Investment products are: not deposits, not FDIC/NCUA insured, not insured by any government agency, not bank guaranteed, subject to risk and may lose value.

RAYMOND JAMES®

INTERNATIONAL HEADQUARTERS: THE RAYMOND JAMES FINANCIAL CENTER

880 CARILLON PARKWAY // ST. PETERSBURG, FL 33716 // 800.248.8863 // RAYMONDJAMES.COM

© 2024 Raymond James & Associates, Inc., member New York Stock Exchange/SIPC.

© 2024 Raymond James Financial Services, Inc., member FINRA/SIPC. All rights reserved.

Raymond James® is a registered trademark of Raymond James Financial, Inc.

Ref. M24-384393 until 1/10/2025