

DAY	EVENT	PERIOD	SURVEY	PRIOR
Tues	CPI Ex Food & Energy YoY	Dec	2.3%	2.3%
Tues	Real Avg Weekly Earnings YoY	Dec	-	1.1%
Wed	PPI Final Demand YoY	Dec	1.3%	1.1%
Fri	Capacity Utilization	Dec	77.0%	77.3%
Fri	UMich Sentiment	Jan P	99.3	99.3

For more detailed articles about the bond market, yield curve and fixed income ideas, please read the most recent [Fixed Income Quarterly \(FIQ\)](#).

Euro zone gov't bond yields stable ahead of US-China trade deal ([Reuters](#))  
 Stocks pinned near record highs ahead of US-China trade deal ([Reuters](#))  
 Fixed Income Market Commentary by Kevin Giddis ([RaymondJames.com](#))

[Raymond James Bond Market Commentary](#)  
[Interest Rate Monitor](#) [Index Monitor](#)  
 External Links: [Investing In Bonds](#) and [MSRB](#)

**TREASURIES**

Treasuries showed some choppiness last week as the 10 year fluctuated by 8bp. By week's end, the 10- and 30-year Treasury prices fell pushing yields up 3 and 2 bp, respectively. Rates inside of 6 months fell 1-2bp. Year-to-date, the long end of the curve is down 7-8 bp while 3mo and 6m bills are down 3 bp and 4 bp, respectively. The Fed will likely remain quite this week. CPI is released tomorrow followed by PPI on Wednesday. Housing Starts and Industrial Production are on Friday.

**BROKERED CDs**

CD rates were mixed for the week, as can be seen in the chart to the right. The number of banks in the market went up by 41, from 39 to 80. The total number of CDs available also went up from 99 to 185. For a 3-month to 1-year ladder, there were 61 banks available for a total of \$15.25mm with a YTM of 1.604%. The amount invested is higher compared to last week's \$6.75mm but the YTM is lower from last week's 1.634%. For a 3-month to 5-year ladder, there were 77 banks available for a total of \$19.25mm with a YTM of 1.668%. The amount invested is higher compared to last week's \$9mm but the YTM is lower from last week's 1.694%.

**MUNICIPALS**

Municipal yields fell last week, in contrast with most other fixed income product types. Short-end yield (1-2 years) fell by about 6 basis points week-over-week, while the intermediate and long parts of the curve fell by 3-5 basis points. Continued demand for high-quality, tax-efficient investments is driving municipal bond yield levels. The lower municipal yields combined with slightly higher Treasury yields led to declines in the muni-Treasury ratios at both 10 and 30 years, which now sit at 74% and 86%, respectively. According to The Bond Buyer, \$6.64 billion is expected to come to market this week. There are 14 deals of \$100 million or larger, and 4 of those are either taxable or partially taxable. Among some of the larger deals this week will be the Chicago Sales Tax Securitization Corp (-/AA-/-) selling \$912 million - \$603 million will be tax-exempt and \$309 million will be taxable. Red River Education Finance Corp (Aa3/-/AA-) is bringing a \$313 million taxable deal for the Texas Christian University Project. See the [New Issue Calendar](#) for additional transactions coming to market this week.

**CORPORATES**

The corporate new issue market looks to continue its momentum following last week's 4th largest issuance on record of \$61.9 billion. This week is slated for \$30 billion. The High Yield issuance was an additional \$9.15 billion. The deals have been well received. Over half the volume was in the financial sector and 54% in BBB-rated companies. Nearly 1/3 of last week's volume was 10-year issuance. In addition, according to Refinitiv Lipper, investors put a record amount of cash into Investment Grade Bond Funds reflecting an \$8.19 billion inflow. The BBB corporate spread index is hovering around the yearly 1.25 low at 1.27. The High Yield 10-year is experiencing the same fate at a 3.22 spread, close to the annual low spread of 3.17. It is anticipated that the low borrowing costs will keep corporations active.

	Friday	WEEK AGO	CHANGE	1-YR AGO
<b>Equities (Price Appreciation)</b>				
DJIA	28823.77	28634.88	▲ 188.89	24001.92
S&P 500	3265.35	3234.85	▲ 30.50	2596.64
Nasdaq	9178.86	9020.77	▲ 158.09	6986.07
<b>Treasuries (YTW)</b>				
1 yr	1.530	1.550	▼ -0.020	2.590
2 yr	1.560	1.530	▲ 0.030	2.560
5 yr	1.630	1.590	▲ 0.040	2.560
10 yr	1.830	1.800	▲ 0.030	2.740
30 yr	2.280	2.260	▲ 0.020	3.060
<b>Brokered CDs (YTW)</b>				
3 mo	1.650	1.650	■ 0.000	2.300
6 mo	1.650	1.650	■ 0.000	2.400
1 yr	1.700	1.750	▼ -0.050	2.500
2 yr	1.800	1.750	▲ 0.050	2.750
3 yr	1.900	1.850	▲ 0.050	3.000
5 yr	2.000	1.900	▲ 0.100	3.300
10 yr	N/A	N/A	N/A	3.450
<b>Municipal (AAA) (YTW)</b>				
1 yr	0.932	0.992	▼ -0.060	1.698
2 yr	0.934	0.991	▼ -0.057	1.736
5 yr	0.998	1.046	▼ -0.048	1.888
10 yr	1.348	1.387	▼ -0.039	2.258
30 yr	1.973	2.006	▼ -0.033	3.047
<b>Municipal (AAA) TEY @ 37%</b>				
1 yr	1.479	1.575	▼ -0.095	2.695
2 yr	1.483	1.573	▼ -0.090	2.756
5 yr	1.584	1.660	▼ -0.076	2.997
10 yr	2.140	2.202	▼ -0.062	3.584
30 yr	3.132	3.184	▼ -0.052	4.837
<b>MBS 30-yr (Current Coupon) (YTW)</b>				
FNMA	2.620	2.627	▼ -0.007	3.529
GNMA	2.355	2.364	▼ -0.009	3.373
<b>Corporate Index (A) (YTW)</b>				
1 yr	1.839	1.831	▲ 0.008	3.012
2 yr	1.842	1.824	▲ 0.018	3.194
5 yr	2.102	2.075	▲ 0.027	3.462
10 yr	2.600	2.570	▲ 0.030	3.906
30 yr	3.279	3.247	▲ 0.032	4.371
<b>Corporate Index (BBB) (YTW)</b>				
1 yr	2.069	2.072	▼ -0.003	3.378
2 yr	2.124	2.118	▲ 0.006	3.607
5 yr	2.464	2.450	▲ 0.014	4.010
10 yr	3.094	3.066	▲ 0.028	4.568
30 yr	3.757	3.725	▲ 0.032	5.052
<b>Corporate CDX Index (bps)</b>				
5 yr	44.20	45.84	▼ -1.64	77.11
<b>Other Rates</b>				
3m LIBOR	1.838	1.874	▼ -0.036	2.797
Fed Funds*	1.500	1.500	■ 0.000	2.250

Source: Bloomberg LP, Raymond James as of 01/13/20

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

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*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.*

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*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.*

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*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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*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.*

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