Fixed Income Weekly Primer

Fixed Income Solutions

Yields ended the week with minimal week-over-week changes, which masks the volatility experienced through the week. On Wednesday, CPI (Consumer Price Index) data came in higher than expected across the board, signaling a potential setback in the fight to get inflation back down to target levels. Although PCE (Personal Consumption Expenditures) is the FOMC's primary gauge for measuring inflation, CPI is still a widely watched metric with regard to the level and direction of inflation. CPI year-over-year was 3.0% compared to expectations of 2.9% while the Core CPI reading came in at 3.3% as 3.1% was the consensus forecast. Treasury yields spiked higher by ~10 basis points in 2 to 30 year maturities immediately following the release. On Thursday, another inflation measure, PPI (Producer Price Index), also came in higher than expected at 3.5% year-over-year compared with 3.3% expected. Contrary to what might be expected given the market's reaction to the prior day's CPI reading, yields moved lower following the release. Market commentators noted that while headline PPI numbers were higher than expected, the underlying details point to inflation continuing its path lower as several of the components in PPI that feed through to PCE (which the FOMC pays the most attention to) came in lower than expected. While the headline PPI number was high, the details point to lower PCE forecasts. On Friday, weaker-than-expected Retail Sales data was released causing yields to edge lower as well. By the end of the week, the 30-year Treasury yield was unchanged while yields from 2 to 10 years were 1 to 3 basis points lower.

Investment-grade corporate yields followed benchmark yields, ending the week lower by 2 to 5 basis points. Spreads tightened by 2 to 3 basis points in the investment-grade space while high-yield spreads came in by ~5 basis points. Municipal yields moved is the opposite direction of their taxable counterparts as the benchmark AAA curve edged higher by 3 to 5 basis points. Muni-Treasury ratios remain in the upper 60% range at 10-years and the low 80% range at 30-years.

This week is relatively light on the economic data front. Housing data comes on Tuesday along with FOMC meeting minutes from the January 29 meeting. Thursday gives us Initial Jobless Claims and the Philadelphia Fed Business Outlook. And on Friday, University of Michigan Consumer Survey data comes out along with S&P PMI data.

	Friday	WEEK AGO	CHANGE
Equities (Price Appreciation)			
S&P 500	6114.63	6025.99	88.64
Treasuries (YTW)			
1 yr	4.230	4.250	-0.020
5 yr	4.330	4.340	-0.010
10 yr	4.470	4.490	-0.020
30 yr	4.690	4.690	0.000
Brokered CDs (YTW)			
3 mo	4.350	4.350	0.000
6 mo	4.350	4.250	0.100
1 yr	4.300	4.200	0.100
3 yr	4.300	4.250	0.050
5 yr	4.300	4.250	0.050

	Friday	WEEK AGO	CHANGE
Municipal (AAA) (YTW)			
1 yr	2.579	2.549	0.030
5 yr	2.752	2.714	0.038
10 yr	2.990	2.950	0.039
30 yr	3.929	3.876	0.053
Municipal (AAA) TEY @ 37%			
1 yr	4.093	4.046	0.047
5 yr	4.368	4.308	0.060
10 yr	4.746	4.683	0.063
30 yr	6.237	6.153	0.084
MBS 30-yr (Current Coupon) (YTW)			
FNMA	5.725	5.770	-0.045
GNMA	5.664	5.685	-0.021

	Friday	WEEK AGO	CHANGE
Corporate Index (A) (YTW)			
1 yr	4.534	4.557	-0.023
5 yr	4.830	4.869	-0.039
10 yr	5.238	5.274	-0.035
30 yr	5.631	5.633	-0.002
Corporate Index (BBB) (YTW)			
1 yr	4.772	4.804	-0.033
5 yr	5.113	5.163	-0.050
10 yr	5.542	5.583	-0.041
30 yr	5.920	5.930	-0.010
Other Rates			
SOFR	4.330	4.350	-0.020
Fed Funds	4.310	4.310	0.000

Source: Bloomberg LP, Raymond James as of 02/18/25 *All entries are percentage (%) unless otherwise noted.*

DAY	EVENT	PERIOD	SURVEY	PRIOR
Wed	FOMC Meeting Minutes	Jan 29	-	-
Thurs	Initial Jobless Claims	Feb 15	215k	213k
Wed	CPI MoM	Jan	0.3%	0.4%
Fri	S&P US Manufacturing PMI	Feb P	51.2	51.2
Fri	UMich Sentiment	Feb F	67.8	67.8

Available on RaymondJames.com

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

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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.

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.

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

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