

Fixed Income Weekly Monitor

Yields bull-flattened. Labor report induced a short-term whipsaw, but yields settled lower. Chair Powell's Congressional testimony was non-eventful. Inflation data on the docket this week.

PWM Fixed Income Research

Dave Violette, CFA, Vice President
Senior Fixed Income Analyst

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Treasuries

- Last week, Treasury yields were relatively calm. Yields bull-flattened with the 10yr yield finishing at the lowest level in five weeks. The usual Fedspeak was tolerated by markets and Chair Powell did hint at the Fed's semiannual testimony to conference that rate cuts would probably be appropriate later this year. The market has already changed drastically with its implied rate cut stance from six cuts down to three to four by the end of the year. Friday's labor report did throw a whipsaw into yields with the higher-than-expected job gains followed by very large revisions but that didn't move the market outside of the small window of time. Despite some rare equity volatility and losses during the week, corporate credit spreads remained behaved and closed tighter for the week near their one-year lows.

Bloomberg Investment Grade Corporate Spread



- During the past week, Treasury yields were generally lower: 3 mos. Bills were +1 bps at 5.39%, 1yr Treasury Notes -2 bps at 4.93%, 2-year Note yield -6 bps at 4.48%, 5-year Notes yield -11 bps at 4.05%, 10-year Notes yield -11 bps at 4.08% and 30-year bonds yield -7 bps at 4.25%.

Municipals

- Bloomberg Municipal AAA-rated GO yields were lower for the week: 2-year bonds -4 bps at 2.78%, 5-year bonds -6 bps at 2.41%, 10-year bond yield -7 bps at 2.46 % and 30-year bonds were -5 bps at 3.65%.
- The 10yr AAA GO Ratio is 60.4.

Corporates

- BAML Investment-grade credit spreads tightened by -2 bps at 99 bps OAS (-5 bps YTD).
- BAML High-yield credit spreads tightened by -6 bps over the past week to 326 bps OAS (-8 bps YTD).

Looking Ahead

3/12: CPI

3/14: Retail Sales, PPI 3/15: Import Price Index, Industrial Production, Univ. of Michigan Sentiment

3/11/2024					
Treasuries	Nominals	YTM %	5d chg. (bps)	1mo. chg. (bps)	YTD chg. (bps)
	1 yr	4.92	-7	6	15
	2yr	4.50	-11	2	25
	5yr	4.06	-14	-8	21
	7yr	4.07	-15	-10	19
	10yr	4.08	-13	-10	20
	30yr	4.25	-10	-12	22
	Inflation breakeven	YTM %	5d chg. (bps)	1mo. chg. (bps)	YTD chg. (bps)
	5yr	2.39	-7	8	24
	10yr	2.28	-6	3	11
	Real yield	YTM %	5d chg. (bps)	1mo. chg. (bps)	YTD chg. (bps)
	5yr	1.70	-7	-14	0
	10yr	1.79	-7	-12	9
Municipals	AAA Rated GO	YTM %	5d chg. (bps)	1mo. chg. (bps)	YTD chg. (bps)
	2yr AAA GO	2.78	-4	-1	27
	5yr AAA Go	2.41	-6	-4	19
	10yr AAA GO	2.46	-7	-5	19
	A Rated GO	YTM %	5d chg. (bps)	1mo. chg. (bps)	YTD chg. (bps)
	2yr A GO	3.06	-2	-22	7
	5yr A GO	2.73	-2	-21	0
	10yr A GO	2.94	10	-11	4
	A Rated Revenue	YTM %	5d chg. (bps)	1mo. chg. (bps)	YTD chg. (bps)
	2yr A Revenue	3.02	-12	-18	15
	5yr A Revenue	2.73	-9	-13	7
	10yr A Revenue	2.84	-7	-8	0
	GO Ratios	Ratio	5d Chg.	1 mo.Chg.	YTD Chg.
	5yr AAA GO Ratio	59.45	0.1	0.0	1.9
	10yr AAA GO Ratio	60.38	0.0	0.0	1.9
MBS 30-yr		Curr. Cpn.	5d chg. (bps)	1mo. chg. (bps)	YTD chg. (bps)
	FNMA	5.50	-21	-15	25
	GNMA	5.29	22	16	7
Corporate	Yield %	OAS (bps)	Chg. OAS (bps)	Chg. OAS (bps)	Chg. OAS (bps)
Intermediate IG Index	5.14	86	-3	-2	-4
AA rated	4.8	47	-2	1	-1
A Rated	#N/A Invalid Security	81	-2	0	-4
BBB Rated	5.46	118	-2	0	-4
Intermed. High-yield Index	#N/A Invalid Security	314	-2	-7	-9
BB Rated	6.52	198	-1	1	-3
B Rated	7.49	286	-1	-14	-24
CCC Rated	11.96	738	-14	-51	-38
Preferred Index	6.34				
Other		Level	5d Chg.	1 mo.Chg.	YTD Chg.
	Fed Funds Rate (Eff.)	5.33%	0.00%	0.00%	0.00%
	Treas. Volatility Index	100.9	-8.7	-5.3	-13.7
	S&P 500 Index	5123.7	-0.26%	1.93%	7.42%
	VIX Index	15.6	2.1	2.6	3.1
	U.S Dollar Index	1227.8	-1.10%	-1.15%	1.23%

Appendix – Important Disclosures

Some of the potential risks associated with fixed income investments include call risk, reinvestment risk, default risk and inflation risk. Additionally, it is important that an investor is familiar with the inverse relationship between a bond's price and its yield. Bond prices will fall as interest rates rise and vice versa.

When considering a potential investment, investors should compare the credit qualities of available bond issues before they invest. The two most recognized rating agencies that assign credit ratings to bond issuers are Moody's Investors Service ("Moody's") and Standard & Poor's Corporation ("S&P"). Moody's lowest investment-grade rating for a bond is Baa3 and S&P's lowest investment-grade rating for a bond is BBB-. Ratings are measured on a scale that ranges from AAA or Aaa (highest) to D or C (lowest).

The Bond Buyer 20-Bond Index consists of 20 general obligation bonds that mature in 20 years. The average rating of the 20 bonds is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA. The Bond Buyer 11-Bond Index uses a select group of 11 bonds in the 20-Bond Index. The average rating of the 11 bonds is roughly equivalent to Moody's Aa1 and S&P's AA-plus. The Bond Buyer Revenue Bond Index consists of 25 various revenue bonds that mature in 30 years. The average rating is roughly equivalent to Moody's A1 and S&P's A-plus. The indexes represent theoretical yields rather than actual price or yield quotations. Municipal bond traders are asked to estimate what a current-coupon bond for each issuer in the indexes would yield if the bond was sold at par value. The indexes are simple averages of the average estimated yields of the bonds, are unmanaged and a direct investment cannot be made in them.

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