
Treasuries
- It was a volatile week for yields encountering countervailing forces. On balance, economic data were subtly supportive of the fight on inflation. ISM Mfg., Productivity/Unit Labor Costs, Jobless Claims and finally the Labor report on Friday all were supportive of lower yields notwithstanding another wildly higher (and often questioned) ADP Employment number. Nonetheless, an upside Treasury refunding announcement converged with the now famous (and not wrong but nothing new) Fitch downgrade of the U.S. credit rating to AA+ was enough impetus to help lift the longer end of the curve. The main feature for yields, other than the gappy volatility, was the steepening of the yield curve. The short-end held its own with no incrementally higher probabilities for another Fed hike while the long-end of the curve rose. The yield curve inversion has backed up by about 30 bps over the past two weeks to 73 bps on 2’s-10’s but is yet nowhere near “normal” (graph). The predominate move higher in yields has been accomplished via real-yield space – risk-takers take note. Also notably, credit spreads have shown some recently uncharacteristic widening, particularly in high-yield corporate indexes and municipal bond ratios rose more than normal.

- During the past week, Treasury yields were mixed: 3 mos. Bills were -1 bps at 5.39%, 1yr Treasury Notes -7 bps at 5.30%, 2-year Note yield -10 bps at 4.78%, 5-year Notes yield -3 bps at 4.15%, 10-year Notes yield +9 bps at 4.05% and 30-year bonds yield +19 bps at 4.21%.

Municipals
- Bloomberg Municipal AAA-rated GO yields were higher for the week: 2-year bonds +21 bps at 3.13%, 5-year bonds +22 bps at 2.80%, 10-year bond yield +22 bps at 2.74% and 30-year bonds were +23 bps at 3.79%.
- The 10yr AAA GO Ratio is 68.1.

Corporates
- BAML Investment-grade credit spreads widened by +3 bps at 122 bps OAS (-16 bps YTD).
- BAML High-yield credit spreads widened by +19 bps over the past week to 401 bps OAS (-78 bps YTD).
## Looking Ahead

8/10: CPI, Jobless Claims  
8/11: PPI

<table>
<thead>
<tr>
<th>8/7/2023</th>
<th>Nominals</th>
<th>YTM %</th>
<th>5d chg. (bps)</th>
<th>1mo. chg. (bps)</th>
<th>YTD chg. (bps)</th>
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<td><strong>Treasuries</strong></td>
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<tr>
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<td>YTD Chg.</td>
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<td><strong>Corporate</strong></td>
<td>Yield %</td>
<td>OAS (bps)</td>
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<td>Chg. OAS (bps)</td>
<td>Chg. OAS (bps)</td>
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<td><strong>Preferred Index</strong></td>
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<table>
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<th>8/7/2023</th>
<th>Level</th>
<th>5d Chg.</th>
<th>1 mo.Chg.</th>
<th>YTD Chg.</th>
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<tr>
<td><em>Fed Funds Rate (Eff.)</em></td>
<td>5.33%</td>
<td>0.00%</td>
<td>0.25%</td>
<td>1.00%</td>
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<td><em>Treas. Volatility Index</em></td>
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<td>3.9</td>
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<td><em>S&amp;P 500 Index</em></td>
<td>4478.0</td>
<td>-2.27%</td>
<td>1.80%</td>
<td>16.63%</td>
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<td><em>VIX Index</em></td>
<td>17.3</td>
<td>3.6</td>
<td>2.4</td>
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<td><em>U.S Dollar Index</em></td>
<td>1227.9</td>
<td>0.81%</td>
<td>0.09%</td>
<td>-1.50%</td>
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</tbody>
</table>
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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