

Fixed Income Weekly Monitor

The election outcome was somewhat of a surprise (margin of victory and likely Republican sweep of Congress) while the Fed's actions were expected. We did get the anticipated volatility in bond yields (sharply higher) in post-election trading as investors worried that tariffs could be inflationary. However, bond yields fell after the FOMC cut the fed funds target, as expected, by 25 bps, but indicated the future rate cuts will be data dependent.

PWM Fixed Income Research

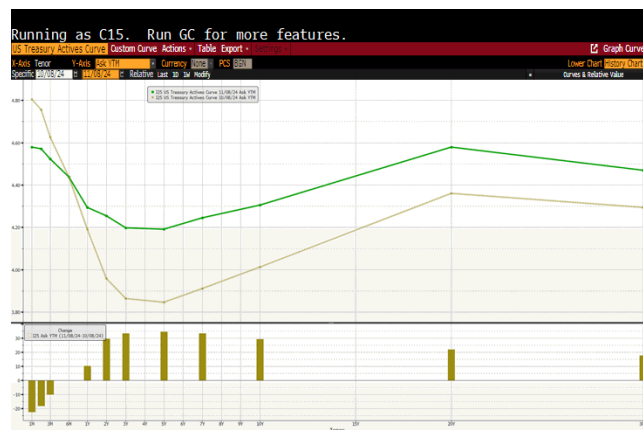
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Treasuries

- The Federal Reserve cut its funds target rate by 25 bps to the range of 4.50%-4.75% range as anticipated but the certainty of another 25 bps cut next month exists no longer. The Fed is concerned that inflation is stuck in a 2.65%-2.72% range (as measured by the PCE core YoY) since May, which is still above their 2.0% target. While job growth has slowed, which concerns the Fed, initial jobless claims remains at historically low levels. Future rate cuts will be dependent on the data going forward.
- Last week, Treasury yields were mixed after a very volatile week: 3mo Bills were up 2 bps to 4.52%, 2-year Notes were 4 bps higher at 4.25%, 10-year Notes were 8 bps lower at 4.30% and 30-year bonds were 11 bps lower at 4.47%. The slope of the yield curve, as measured by the 2s/10s spread, was flatter at 5 bps.

Treasury Yield Curve



Municipals

- Municipal bond yields fell last week with the yield on the Bloomberg Municipal Index down 6 bps to 3.60%.
- Municipal high yield bond yields also fell last week with the Bloomberg High Yield Municipal Index lower by 7 bps to 5.38%.
- Bloomberg Municipal AAA-rated GO yields were lower last week along the curve: 2-year notes lower by 3 bps to 2.64%, 10-year note yields were 5 bps lower at 2.87%, and 30-year bond yields were down 10 bps to 3.71%.
- The 2yr AAA GO Ratio is 62.4%, the 10yr AAA GO Ratio is 69.0%, and the 30yr AAA GO Ratio is 83.2%

Corporates

- Bloomberg Indices: Investment-Grade credit spreads were tighter by 9 bps at 74 bps OAS – yields lower by 14 bps to 5.09%.
- Bloomberg Indices: High-yield credit spreads were 19 bps tighter at 256 bps OAS – yields lower by 19 bps to 7.12%.

GDP Forecasts (Q4 2024)

- Bloomberg Survey - 2.2% (as of 11/08/2024)
- New York Fed Nowcast - 2.1% (as of 11/08/2024)
- Atlanta Fed's GDPNow - +2.5% (as of 11/07/2024)

Looking Ahead:

- 11/27 – PCE core YOY Report
- 12/6 – Employment Report
- 12/18 – FOMC Meeting

Treasury Auction Schedule – Week of 11/11/2024

Type & Term	Amount	Announcement Date	Auction Date	Issue Date	CUSIP
3-month T-bills	\$81.0 billion	11/07/2024	11/12/2024	11/14/2024	912797MK0
6-month T-bills	\$72.0 billion	11/07/2024	11/12/2024	11/14/2024	912797LB1
42-Day Bill*	\$80.0 billion	11/07/2024	11/12/2024	11/14/2024	912796ZV4

*CMB – Cash Management Bill

Fixed Income Spread, Yield, and Return Data:

Fixed Income Asset Class Data – Bloomberg Indices

	OAS	YTW	Price	Coupon	Mat.	OAD	YTD TR	1-YR TR
Aggregate	32	4.71%	\$91.64	3.39%	8.49	6.19	+2.20%	8.02%
Treasury	N/A	4.31%	\$91.54	2.94%	7.88	6.00	+1.37%	6.04%
Agency	43	4.77%	\$94.77	3.72%	8.53	5.40	+2.46%	7.20%
MBS	40	5.01%	\$89.18	3.29%	7.58	6.04	+2.11%	8.46%
IG Corporate	74	5.09%	\$93.74	4.26%	10.82	7.03	+3.54%	11.11%
Municipal	N/A	3.60%	N/A	N/A	13.65	6.19	+1.33%	7.35%
High Yield	256	7.12%	\$96.33	6.35%	4.82	3.02	+8.28%	14.70%
Municipal HY	N/A	5.38%	N/A	N/A	19.74	6.54	+6.53%	13.96%

Risk Assets & Spreads

Index	Sub-Index	Analytics			11/08/2024 Total Return			
		YTW (%)	OAS (bps)	Duration	5-day	MTD	QTD	YTD
US Aggregate		4.71	32	6.2	0.14	0.33	(2.16)	2.20
US Gov / Credit		4.60	27	6.5	0.02	0.26	(2.13)	2.17
US Treasury	1-3	4.26	-1	2.0	0.01	(0.06)	(0.67)	3.44
	3-5	4.21		3.8	(0.03)	(0.11)	(1.92)	2.21
	5-7	4.23		5.6	(0.07)	(0.05)	(2.79)	1.56
	7-10	4.29		7.3	(0.25)	(0.06)	(3.40)	0.53
	10-20	4.54		12.9	(0.58)	0.30	(4.64)	(1.17)
US Govt-Related		4.77	43	5.7	(0.01)	0.13	(2.01)	2.46
US Corp.	Aa	4.75	38	7.8	0.28	0.70	(2.28)	1.96
	A	4.96	61	7.0	0.36	0.67	(1.88)	3.14
	Baa	5.28	92	6.8	0.49	0.83	(1.41)	4.21
US Corp.	Industrial	5.10	73	7.9	0.43	0.83	(1.83)	2.81
	Financial	5.05	74	5.6	0.44	0.62	(1.35)	4.84
	Utility	5.19	79	8.7	0.23	0.70	(2.08)	3.42
US High-yield		7.12	256	3.5	0.53	0.80	0.25	8.28
	Ba	6.07	152	3.7	0.54	0.70	0.39	7.46
	B	7.03	241	3.2	0.42	0.84	(0.23)	6.58
	Caa	9.88	539	3.3	0.74	0.91	1.67	14.42
Municipal		3.60		6.2	(0.26)	0.52	(0.94)	1.33
High Yield Muni		5.38		9.3	(0.26)	0.65	(0.88)	6.53
S&P Preferred		5.96		17.8	1.15	1.15	1.36	13.70
SPX Index		1.29			4.70	4.70	4.16	27.15

Nominals		YTM %	5d chg. (bps)	1mo. chg. (bps)	YTD chg. (bps)
1 yr		4.29	3	10	-47
2yr		4.25	5	30	0
5yr		4.19	-3	35	34
7yr		4.25	-6	33	36
10yr		4.30	-8	29	43
30yr		4.47	-11	18	44
Inflation breakeven		YTM %	5d chg. (bps)	1mo. chg. (bps)	YTD chg. (bps)
5yr		2.42	5	21	27
10yr		2.36	3	8	19
Real yield		YTM %	5d chg. (bps)	1mo. chg. (bps)	YTD chg. (bps)
5yr		1.76	-8	12	6
10yr		1.94	-10	22	24
Municipals	AAA Rated GO	YTM %	5d chg. (bps)	1mo. chg. (bps)	YTD chg. (bps)
	2yr AAA GO	2.66	-3	19	16
	5yr AAA Go	2.71	-3	27	49
	10yr AAA GO	2.99	-5	30	72
	A Rated GO	YTM %	5d chg. (bps)	1mo. chg. (bps)	YTD chg. (bps)
	2yr A GO	2.97	-4	23	-2
	5yr A GO	3.10	2	35	38
	10yr A GO	3.45	0	36	55
	A Rated Revenue	YTM %	5d chg. (bps)	1mo. chg. (bps)	YTD chg. (bps)
	2yr A Revenue	2.98	-3	31	11
	5yr A Revenue	3.05	-5	32	39
	10yr A Revenue	3.40	-9	26	56
	GO Ratios	Ratio	5d Chg.	1 mo.Chg.	YTD Chg.
	5yr AAA GO Ratio	64.62	-0.1	1.3	7.0
	10yr AAA GO Ratio	69.54	0.3	2.5	11.1
MBS 30-yr		Curr. Cpn.	5d chg. (bps)	1mo. chg. (bps)	YTD chg. (bps)
	FNMA	5.62	-18	34	37
	GNMA	3.62	NM	2	24

Corporate	Yield %	OAS (bps)	Chg. OAS (bps)	Chg. OAS (bps)	Chg. OAS (bps)
Intermediate IG Index	4.91	64	-10	-10	-26
AA rated	4.75	38	-6	-4	-10
A Rated	0.62	62	-8	-7	-23
BBB Rated	5.3	95	-9	-11	-27
Intermed. High-yield Index	2.55	255	-19	-39	-68
BB Rated	6.07	152	-17	-28	-49
B Rated	7.03	241	-24	-44	-69
CCC Rated	9.88	539	-15	-84	-237
Preferred Index	5.96				
Other		Level	5d Chg.	1 mo.Chg.	YTD Chg.
	Fed Funds Rate (Eff.)	4.83%	0.00%	0.00%	-0.50%
	Treas. Volatility Index	99.9	-32.7	-23.9	-14.8
	S&P 500 Index	5995.5	4.66%	4.25%	25.70%
	VIX Index	14.9	-6.9	-6.5	2.5
	U.S Dollar Index	1267.8	0.31%	2.30%	4.52%

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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