Fixed Income Weekly Primer

Fixed Income Solutions

In Friday's speech from Jackson Hole, Wyoming, Fed Chair Jerome Powell emphasized that the fight against inflation is not over and the FOMC remains focused on achieving their goal of 2% inflation. He noted that inflation "remains too high" and that the FOMC is "prepared to raise rates further if appropriate." He emphasized that the Committee will remain flexible and respond to new data as it becomes available with regard to future rate decisions. Based on where Fed Funds futures are trading, Bloomberg is calculating a 65% chance that the FOMC will raise rates by an additional 25 basis points at their meeting on November 1. This week, several key economic data releases are scheduled starting on Tuesday with JOLTS job openings. On Thursday, July PCE (Personal Consumption Expenditures) data is released. Year-over-year inflation is expected to rise from 3.0% to 3.3% while core inflation is expected to rise from 4.1% to 4.2%. On Friday, August employment numbers come out with the Change in Nonfarm Payrolls expected to fall to 170,000. As the FOMC remains highly data-dependent, any surprises in the data could shift market sentiment with regard to future action.

Yields were mixed in the taxable space last week. Short-term Treasuries rose by 6 to 11 basis points while longer-term yields fell by 1 to 8 basis points. Investment-grade corporate yields generally followed Treasuries, with shorter yields rising and intermediate to long-term yields falling. Yields in the municipal market rose across the board. The benchmark AAA municipal curve saw yields rise by 3 to 8 basis points.

CD rates were mostly higher for the week. The number of available issuers increased (from 64 to 71). The total number of CDs available increased (from 138 to 142). 45 issuers listed offerings between 3-months and 1-year totaling $11.25mm (vs. last week's $12.75mm) and averaging a 5.248% yield-to-maturity (vs. last week's 5.197%). 64 issuers listed offerings between 3-months and 5-years totaling $16mm (vs. last week's $14.5mm) and averaging a 5.194% yield-to-maturity (vs. last week's 5.163%).

	Friday	WEEK AGO	CHANGE
Equities (Price Appreciation)			
S&P 500	4405.71	4369.71	36.00
Treasuries (YTW)			
1 yr	5.440	5.350	0.090
5 yr	4.440	4.380	0.060
10 yr	4.250	4.260	-0.010
30 yr	4.300	4.380	-0.080
Brokered CDs (YTW)			
3 mo	5.300	5.250	0.050
6 mo	5.350	5.300	0.050
1 yr	5.350	5.350	0.000
3 yr	4.850	4.800	0.050
5 yr	4.650	4.450	0.200

	Friday	WEEK AGO	CHANGE
Municipal (AAA) (YTW)			
1 yr	3.273	3.244	0.029
5 yr	2.899	2.831	0.068
10 yr	2.887	2.809	0.078
30 yr	3.872	3.804	0.068
Municipal (AAA) TEY @ 37%			
1 yr	5.195	5.149	0.046
5 yr	4.601	4.494	0.107
10 yr	4.583	4.459	0.124
30 yr	6.146	6.038	0.108
MBS 30-yr (Current Coupon) (YTW)			
FNMA	6.099	6.139	-0.040
GNMA	6.071	6.148	-0.077

	Friday	WEEK AGO	CHANGE
Corporate Index (A) (YTW)			
1 yr	5.687	5.621	0.066
5 yr	5.153	5.140	0.013
10 yr	5.348	5.398	-0.050
30 yr	5.485	5.616	-0.131
Corporate Index (BBB) (YTW)			
1 yr	6.075	6.024	0.051
5 yr	5.705	5.685	0.020
10 yr	5.918	5.967	-0.048
30 yr	5.925	6.066	-0.141
Other Rates			
3m LIBOR	5.666	5.645	0.021
Fed Funds	5.320	5.320	0.000

Source: Bloomberg LP, Raymond James as of 08/28/23 *All entries are percentage (%) unless otherwise noted.*

DAY	EVENT	PERIOD	SURVEY	PRIOR
Thurs	PCE Deflator YoY	July	3.3%	3.0%
Thurs	PCE Deflator MoM	July	0.2%	0.2%
Thurs	PCE Core Deflator MoM	July	0.2%	0.2%
Fri	Unemployment Rate	Aug	3.5%	3.5%
Fri	Change in Nonfarm Payrolls	Aug	170k	187k

- Bond Market Commentary
- Interest Rate Monitor
- Fixed Income Quarterly

External Links:

- FINRA
- MSRB

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Investors should discuss the risks inherent in bonds with their Raymond James Financial Advisor. Risks include, but are not limited to, changes in interest rates, liquidity, credit quality, volatility, and duration. Past performance is no assurance of future results.

CDs offer FDIC insurance and a fixed rate of return whereas both principal and yield of investment securities will fluctuate with changes in market conditions. CDs are insured by the Federal Deposit Insurance Corporation (FDIC), an independent agency of the United States government, for up to $250,000 per depositor. The coverage limit refers to the total of all deposits that an account holder(s) has at each FDIC-insured bank.

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 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.

An investment cannot be made in the unmanaged indexes mentioned in this material.

A basis point (BP) is a unit that is equal to 1/100th of 1%, and is used to denote the change in a financial instrument.

Investment products are: not deposits, not FDIC/NCUA insured, not insured by any government agency, not bank guaranteed, subject to risk and may lose value

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