Fixed Income Weekly Primer

Fixed Income Solutions

Relative to equity market volatility, fixed income market activity was relatively subdued last week. Short-term Treasury yields edged higher by 3 to 4 basis points while yields from 5 to 30 years moved a basis point or less. Given the amount of important economic data that was released, this might be somewhat surprising but investors seemed to give more focus to the equity market and headlines out of Washington. In welcome news to the FOMC, CPI (Consumer Price Index) data for February came in lower than expected across the board. Year-over-year CPI was 2.8% (2.9% was expected) while Core CPI year-over-year came in at 3.1% (3.2% was expected). Later in the week, PPI (Producer Price Index) data was also lower than predicted with the year-over-year reading coming in at 3.2% (3.3% was expected). On Friday, the University of Michigan Consumer Sentiment survey came in much worse than forecast, falling from 64.7 to 57.9 (63.0 was expected). This took yields lower for the day and essentially back to where they started the week for most of the curve.

Investment-grade corporate yields moved higher for the week as spreads widened. Both the A-rated and BBB-rated curves finished the week 4 to 7 basis points higher. The municipal market saw yield increases outpace their taxable counterparts as the benchmark AAA curve moved 6 to 20 basis points higher for the week, with the larger moves on the longer end of the curve. CD rates were mostly unchanged for the week. The number of available issuers decreased (from 77 to 69). 55 issuers listed offerings between 3-months and 1-year totaling $13.75 million, averaging a 4.202% yield-to-maturity. 70 issuers listed offerings between 3-months and 5-years totaling $17.5 million, averaging a 4.201% yield-to-maturity.

This week, attention will be on the FOMC meeting and their corresponding announcement on Wednesday. No change in the Fed Funds rate is expected, but the announcement and Chairman Powell's press conference that follows will be dissected as market participants try to gain insight into the FOMC's expectations going forward.

	Friday	WEEK AGO	CHANGE
Equities (Price Appreciation)			
S&P 500	5638.94	5770.20	-131.26
Treasuries (YTW)			
1 yr	4.090	4.050	0.040
5 yr	4.090	4.090	0.000
10 yr	4.310	4.320	-0.010
30 yr	4.620	4.620	0.000
Brokered CDs (YTW)			
3 mo	4.300	4.350	-0.050
6 mo	4.250	4.300	-0.050
1 yr	4.150	4.200	-0.050
3 yr	4.150	4.100	0.050
5 yr	4.100	4.100	0.000

	Friday	WEEK AGO	CHANGE
Municipal (AAA) (YTW)			
1 yr	2.547	2.491	0.056
5 yr	2.772	2.679	0.093
10 yr	3.069	2.935	0.134
30 yr	4.171	3.972	0.199
Municipal (AAA) TEY @ 37%			
1 yr	4.043	3.954	0.089
5 yr	4.401	4.252	0.148
10 yr	4.872	4.659	0.213
30 yr	6.620	6.305	0.315
MBS 30-yr (Current Coupon) (YTW)			
FNMA	5.574	5.550	0.024
GNMA	5.519	5.515	0.004

	Friday	WEEK AGO	CHANGE
Corporate Index (A) (YTW)			
1 yr	4.503	4.457	0.046
5 yr	4.745	4.692	0.053
10 yr	5.197	5.154	0.042
30 yr	5.670	5.619	0.051
Corporate Index (BBB) (YTW)			
1 yr	4.777	4.724	0.053
5 yr	5.060	4.988	0.073
10 yr	5.528	5.472	0.056
30 yr	5.987	5.930	0.057
Other Rates			
SOFR	4.300	4.340	-0.040
Fed Funds	4.310	4.310	0.000

Source: Bloomberg LP, Raymond James as of 03/17/25 All entries are percentage (%) unless otherwise noted.

DAY	EVENT	PERIOD	SURVEY	PRIOR
Tues	Housing Starts	Feb	1381k	1366k
Tues	Import Price Index MoM	Feb	-0.1%	0.3%
Tues	Industrial Production MoM	Feb	0.2%	0.5%
Wed	FOMC Rate Decision (Upper)	Mar 19	4.50%	4.50%
Thurs	Initial Jobless Claims	Mar 15	224k	220k

Available on RaymondJames.com

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

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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 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.

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.

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