

Fixed Income Weekly Primer

Fixed Income Solutions

The Treasury market rallied during the shortened Easter week, bringing Treasury yields down across most maturities. The 10-year yield fell 14 basis points (4.48% to 4.34%). The 5-year Treasury yield dropped the most, falling 20 basis points to 3.95%. The loudest market-moving factor continues to be tariff talks. Although many countries would like to do deals with the U.S., China continues to retaliate and threaten reciprocal countermeasures against countries that make deals that could harm their interests. The Federal Reserve faces the challenge of whether tariffs ultimately raise prices for U.S. consumers while at the same time monitoring the potential for rate cuts to stimulate economic growth.

High-quality investment-grade corporate yields fell with Treasury yields, with a slight spread narrowing that contributed to lower rates. The moderate change comes after spreads hit a 52-week high a few weeks ago. Yields continue to provide some of the best income opportunities for investors versus levels seen in the past two decades. The corporate curve boasts its steeper status, rewarding investors with greater reward as they take on longer, higher interest rate risk associated with extending. Municipal yields followed suit, dropping in unison across the curve. The municipal curve remains the steepest of all product curves, providing considerable income opportunities for investors in the higher federal income tax brackets. The opportunity to lock into higher tax-equivalent yields is accentuated on the intermediate to long-end of the municipal curve.

	Friday	WEEK AGO	CHANGE		Friday	WEEK AGO	CHANGE		Friday	WEEK AGO	CHANGE
Equities (Price Appreciation)				Municipal (AAA) (γTW)				Corporate Index (A) (γTW)			
S&P 500	5282.70	5363.36	▼ -80.66	1 yr	2.850	3.004	▼ -0.154	1 yr	4.479	4.629	▼ -0.151
Treasuries (γTW)				5 yr	3.079	3.242	▼ -0.163	5 yr	4.688	4.932	▼ -0.244
1 yr	3.990	4.040	▼ -0.050	10 yr	3.405	3.569	▼ -0.165	10 yr	5.266	5.454	▼ -0.188
5 yr	3.950	4.150	▼ -0.200	30 yr	4.454	4.604	▼ -0.150	30 yr	5.874	5.958	▼ -0.084
10 yr	4.340	4.480	▼ -0.140	Municipal (AAA) TEY @ 37%				Corporate Index (BBB) (γTW)			
30 yr	4.800	4.850	▼ -0.050	1 yr	4.523	4.767	▼ -0.244	1 yr	4.863	4.993	▼ -0.130
Brokered CDs (γTW)				5 yr	4.887	5.146	▼ -0.259	5 yr	5.127	5.353	▼ -0.225
3 mo	4.200	4.150	▲ 0.050	10 yr	5.404	5.665	▼ -0.261	10 yr	5.683	5.863	▼ -0.181
6 mo	4.050	4.050	■ 0.000	30 yr	7.070	7.308	▼ -0.239	30 yr	6.255	6.357	▼ -0.103
1 yr	3.950	3.900	▲ 0.050	MBS 30-yr (Current Coupon) (γTW)				Other Rates			
3 yr	3.950	3.750	▲ 0.200	FNMA	5.715	5.887	▼ -0.172	SOFR	4.320	4.330	▼ -0.010
5 yr	4.000	3.800	▲ 0.200	GNMA	5.713	5.896	▼ -0.183	Fed Funds	4.310	4.310	■ 0.000

Source: Bloomberg LP, Raymond James as of 04/21/25 All entries are percentage (%) unless otherwise noted.

DAY	EVENT	PERIOD	SURVEY	PRIOR
Wed	S&P US Manufacturing PMI	Apr P	49.0	50.2
Wed	S&P US Services PMI	Apr P	52.8	54.4
Thurs	Durable Goods Orders	Mar P	1.8%	1.0%
Thurs	Existing Home Sales	Mar	4.15m	4.26m
Fri	UMich Sentiment	Apr F	50.8	50.8

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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.

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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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