Fixed Income Weekly Primer

Fixed Income Solutions

Treasury prices fell last week, pushing yields higher across the curve. Treasury yields were up between 6 and 9 basis points on every maturity between 1 and 30 years. Rates moved only two basis points for maturities <3 months. Treasury rates remain lower year-to-date between the two and 10-year range on the yield curve. Brokered CDs inched up again for the week. Municipal yields fell 9 to 11 basis points for the benchmark AAA curve, although the municipal curve remains the steepest curve, providing investors with greater returns for taking on interest rate risk (extending maturities). The US Corporate Bond Investment-Grade Index ticked up in yield for the week. The corporate curve, which has steepened this year, provides income opportunities particularly in the 5 to 20-year maturity range. The general fixed income yield opportunity remains intact.

There was no shortage of economic data releases last week. The US Job Openings and Labor Turnover Survey (JOLTS Index), released by the Bureau of Labor Statistics, came slightly under expectations (7.2mln vs 7.5mln expected). Personal Income, Personal Spending, and Personal Consumption all exceeded expectations, indicating that consumers are still propping up the economy. Personal Consumption Expenditures (PCE) month-over-month was flat but year-over-year came slightly higher at 2.3% than expected (2.2%). Core PCE year-over-year came flat to expectations. Month-over-month Pending Home Sales jumped 6.1%, well over the anticipated 1% growth. The year-over-year Pending Home Sales fell only -0.1% despite the expected -5.7%.

The change in Nonfarm Payroll was also greater than anticipated, up 177k (vs 138k expected). Private Payrolls also beat expectations at 167k vs. 125k. The Unemployment rate remained unchanged and at the expectation of 4.2%. Average Hourly Earnings year-over-year remained the same at 3.8%, slightly below the expected 3.9%.

This week, attention will focus on the Federal Open Market Committee rate decision on Wednesday. The current Fed Funds rate lower and upper bound rates are 4.25%-4.50%. No change is expected, but the language that Fed Chair Powell uses will likely impact the market.

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	Friday	WEEK AGO	CHANGE
Equities (Price Appreciation)			
S&P 500	5686.67	5525.21	161.46
Treasuries (YTW)			
1 yr	4.000	3.950	0.050
5 yr	3.920	3.880	0.040
10 yr	4.330	4.290	0.040
30 yr	4.790	4.740	0.050
Brokered CDs (YTW)			
3 mo	4.300	4.200	0.100
6 mo	4.150	4.050	0.100
1 yr	4.000	3.950	0.050
3 yr	4.100	3.950	0.150
5 yr	4.150	4.000	0.150

	Friday	WEEK AGO	CHANGE
Municipal (AAA) (YTW)			
1 yr	2.833	2.877	-0.044
5 yr	3.006	3.110	-0.104
10 yr	3.317	3.421	-0.104
30 yr	4.368	4.464	-0.096
Municipal (AAA) TEY @ 37%			
1 yr	4.497	4.567	-0.070
5 yr	4.772	4.936	-0.165
10 yr	5.266	5.431	-0.165
30 yr	6.934	7.086	-0.152
MBS 30-yr (Current Coupon) (YTW)			
FNMA	5.687	5.605	0.082
GNMA	5.658	5.563	0.095

	Friday	WEEK AGO	CHANGE
Corporate Index (A) (YTW)			
1 yr	4.414	4.399	0.015
5 yr	4.626	4.581	0.045
10 yr	5.235	5.170	0.065
30 yr	5.857	5.761	0.095
Corporate Index (BBB) (YTW)			
1 yr	4.774	4.775	-0.001
5 yr	5.052	5.007	0.045
10 yr	5.635	5.570	0.065
30 yr	6.227	6.124	0.103
Other Rates			
SOFR	4.360	4.330	0.030
Fed Funds	error	error	#VALUE!

Source: Bloomberg LP, Raymond James as of 05/05/25 *All entries are percentage (%) unless otherwise noted.*

DAY	EVENT	PERIOD	SURVEY	PRIOR
Wed	FOMC Rate Decision (Upper)	May7	4.50%	4.50%
Wed	FOMC Rate Decision (Lower)	May7	4.25%	4.25%
Thr	Initial Jobless Claims	May3	230k	241k
Thr	Continuing Claims	Apr26	1892k	1916k
Thr	Wholesale Inventories MoM	Mar F	0.5%	0.5%

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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