RAYMOND JAMES

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Fixed Income Weekly Primer

Fixed Income Solutions

The Treasury curve rallied last week, dropping medium maturity rates in the 2- to 7-year range by 5 to 7 basis points. The 10 and 30-year maturities dropped 5 and 2 basis points in yield, respectively. Treasury price movement was choppy all week with an anticlimactic Federal Open Market Committee meeting resulting in the anticipated no rate change announcement. Scott Bessent, the new Treasury Secretary, has the bond market conflicted on the future Treasury strategy for issuing debt. He challenged the previous Secretary's debt issuing strategy. An increase in long-maturity supply could push yields higher. The market will also be digesting how fiscal deficits and inflation will be affected by tax cuts and tariff hikes on Canada, Mexico, and China. Next week hosts Treasury refunding auctions for the 3-, 10-, and 30-year notes and bonds.

Corporate bonds followed the Treasury rate movement as yields fell between 4-7 basis points on high-quality investment-grade rated issues. Similar results occurred with high-yield corporates that dropped roughly 6 to 7 basis points. Stepping back and looking at a broader picture, nominal rates on corporates and municipals remain elevated, maintaining investor opportunity for income strategies. Municipal bond yields also fell, with the benchmark AAA curve moving lower by 6 to 8 basis points across the curve.

This week will bring the JOLTS data, which reveals the job opportunity outlook. Payroll and earnings data will be released later in the week, along with the labor force participation. There are a lot of moving parts and potential impactful policy changes as the new administration continues to formulate its course of action.

	Friday	WEEK AGO	CHANGE
Equities (Price Appreciation)			
S&P 500	6040.53	6101.24	-60.71
Treasuries (YTW)			
1 yr	4.170	4.170	0.000
5 yr	4.360	4.430	-0.070
10 yr	4.580	4.630	-0.050
30 yr	4.830	4.850	-0.020
Brokered CDs (YTW)			
3 mo	4.350	4.300	0.050
6 mo	4.300	4.300	0.000
1 yr	4.200	4.200	0.000
3 yr	4.250	4.200	0.050
5 yr	4.250	4.200	0.050

	Friday	WEEK AGO	CHANGE
Municipal (AAA) (YTW)			
1 yr	2.630	2.700	-0.069
5 yr	2.802	2.872	-0.070
10 yr	3.040	3.123	-0.083
30 yr	3.904	3.963	-0.059
Municipal (AAA) TEY @ 37%			
1 yr	4.175	4.285	-0.110
5 yr	4.448	4.558	-0.110
10 yr	4.825	4.957	-0.132
30 yr	6.196	6.290	-0.094
MBS 30-yr (Current Coupon) (YTW)			
FNMA	5.814	5.874	-0.060
GNMA	5.736	5.796	-0.060

	Friday	WEEK AGO	CHANGE
Corporate Index (A) (YTW)			
1 yr	4.516	4.555	-0.039
5 yr	4.847	4.915	-0.068
10 yr	5.311	5.364	-0.052
30 yr	5.716	5.727	-0.011
Corporate Index (BBB) (YTW)			
1 yr	4.773	4.803	-0.030
5 yr	5.138	5.205	-0.068
10 yr	5.619	5.667	-0.047
30 yr	6.014	6.017	-0.003
Other Rates			
SOFR	4.380	4.340	0.040
Fed Funds	4.310	4.320	-0.010

Source: Bloomberg LP, Raymond James as of 02/03/25 *All entries are percentage (%) unless otherwise noted.*

DAY	EVENT	PERIOD	SURVEY	PRIOR
Tues	JOTLS Job Openings	Dec	8000k	8098k
Tues	Durable Goods Orders	Dec F	-2.2%	-2.2%
Wed	ISM Services Index	Jan	54.1	54.1
Fri	Change in Nonfarm Payrolls	Jan	170k	256k
Fri	Unemployment Rate	Jan	4.1%	4.1%

Available on RaymondJames.com

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

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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 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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