

Fixed Income Weekly Monitor

Elevation in risky asset volatility and their weakness not matched by Treasury haven bid. PCE Deflator released this Friday.

PWM Fixed Income Research

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Treasuries

Last week, despite the bout of risky asset volatility and weakness, Treasuries, the safe-haven asset class, provided little protection. Economic data showed continued resilience and Fed speaker hawkishness were too much in total even for the late-week elevation in geopolitical risk. To see the rise in risky aversion one only needs to look at the profound weakness in equity prices, and particularly the high-flying AI sector, the VIX rising to YTD highs in the 20's and credit spreads moving noticeably wider. Still, Treasuries provided little protection in the face of those obvious signs with yields higher on the week. For those keeping score, the first Fed cut is not fully market-implied until at least September i.e. the talk now matches the market. This week's most high-profile economic data will be the PCE Deflator data on Friday.

During the past week, Treasury yields were higher: 3 mos. Bills were +2 bps at 5.41%, 1yr Treasury Notes +3 bps at 5.17%, 2-year Note yield +9 bps at 4.99%, 5-year Notes yield +11 bps at 4.67%, 10-year Notes yield +10 bps at 4.62% and 30-year bonds yield +8 bps at 4.71%.

Municipals

Bloomberg Municipal AAA-rated GO yields were higher for the week: 2-year bonds +5 bps at 3.21%, 5-year bonds +6 bps at 2.74%, 10-year bond yield +6 bps at 2.74% and 30-year bonds were +7 bps at 3.97%.
The 10yr AAA GO Ratio is 59.3.

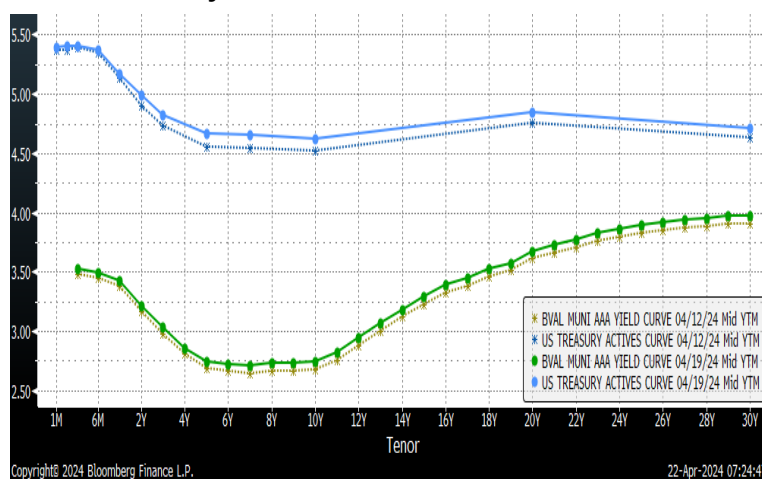
Corporates

BAML Investment-grade credit spreads widened by +2 bps at 94 bps OAS (-10 bps YTD).
BAML High-yield credit spreads widened by +12 bps over the past week to 337 bps OAS (+3 bps YTD).

Looking Ahead

4/23: S&P PMIs, New Home Sales
4/24: Durable Goods
4/25: GDP
4/26: Personal Income/Spending, PCE Deflator

Treasury and Muni Curves: week-over-week



4/22/2024						
Treasuries		Nominals	YTM %	5d chg. (bps)	1mo. chg. (bps)	YTD chg. (bps)
		1 yr	5.17	1	21	40
		2yr	5.00	7	41	75
		5yr	4.70	8	52	85
		7yr	4.69	7	49	81
		10yr	4.66	5	46	78
		30yr	4.75	3	37	72
		Inflation breakeven	YTM %	5d chg. (bps)	1mo. chg. (bps)	YTD chg. (bps)
		5yr	2.43	-14	-4	28
		10yr	2.41	-2	6	23
		Real yield	YTM %	5d chg. (bps)	1mo. chg. (bps)	YTD chg. (bps)
		5yr	2.26	18	52	56
		10yr	2.25	8	40	54
Municipals		AAA Rated GO	YTM %	5d chg. (bps)	1mo. chg. (bps)	YTD chg. (bps)
		2yr AAA GO	3.21	5	39	71
		5yr AAA Go	2.74	6	29	53
		10yr AAA GO	2.74	6	28	47
		A Rated GO	YTM %	5d chg. (bps)	1mo. chg. (bps)	YTD chg. (bps)
		2yr A GO	3.56	2	37	57
		5yr A GO	3.15	2	35	43
		10yr A GO	3.19	2	37	29
		A Rated Revenue	YTM %	5d chg. (bps)	1mo. chg. (bps)	YTD chg. (bps)
		2yr A Revenue	3.49	2	23	61
		5yr A Revenue	3.12	4	21	46
		10yr A Revenue	3.18	3	23	34
		GO Ratios	Ratio	5d Chg.	1 mo.Chg.	YTD Chg.
		5yr AAA GO Ratio	58.80	-0.1	1.7	1.2
		10yr AAA GO Ratio	59.29	0.1	2.0	0.8
MBS 30-yr			Curr. Cpn.	5d chg. (bps)	1mo. chg. (bps)	YTD chg. (bps)
		FNMA	6.16	13	38	90
		GNMA	5.29	22	16	7
Corporate		Yield %	OAS (bps)	Chg. OAS (bps)	Chg. OAS (bps)	Chg. OAS (bps)
Intermediate IG Index		5.64	84	3	4	-6
AA rated		5.28	45	2	3	-3
A Rated		#N/A Invalid Security	79	2	4	-6
BBB Rated		5.92	114	3	2	-8
Intermed. High-yield Index		#N/A Invalid Security	323	13	25	0
BB Rated		7.02	202	9	16	1
B Rated		8.11	302	23	29	-8
CCC Rated		12.59	753	10	37	-23
Preferred Index		6.06				
Other		Level	5d Chg.	1 mo.Chg.	YTD Chg.	
	Fed Funds Rate (Eff.)	5.33%	0.00%	0.00%	0.00%	
	Treas. Volatility Index	111.3	-9.9	20.2	-3.4	
	S&P 500 Index	4967.2	-3.05%	-5.10%	4.14%	
	VIX Index	18.3	-0.9	5.2	5.8	
	U.S Dollar Index	1265.1	0.27%	1.49%	4.30%	

Appendix – Important Disclosures

Some of the potential risks associated with fixed income investments include call risk, reinvestment risk, default risk and inflation risk. Additionally, it is important that an investor is familiar with the inverse relationship between a bond's price and its yield. Bond prices will fall as interest rates rise and vice versa.

When considering a potential investment, investors should compare the credit qualities of available bond issues before they invest. The two most recognized rating agencies that assign credit ratings to bond issuers are Moody's Investors Service ("Moody's") and Standard & Poor's Corporation ("S&P"). Moody's lowest investment-grade rating for a bond is Baa3 and S&P's lowest investment-grade rating for a bond is BBB-. Ratings are measured on a scale that ranges from AAA or Aaa (highest) to D or C (lowest).

The Bond Buyer 20-Bond Index consists of 20 general obligation bonds that mature in 20 years. The average rating of the 20 bonds is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA. The Bond Buyer 11-Bond Index uses a select group of 11 bonds in the 20-Bond Index. The average rating of the 11 bonds is roughly equivalent to Moody's Aa1 and S&P's AA-plus. The Bond Buyer Revenue Bond Index consists of 25 various revenue bonds that mature in 30 years. The average rating is roughly equivalent to Moody's A1 and S&P's A-plus. The indexes represent theoretical yields rather than actual price or yield quotations. Municipal bond traders are asked to estimate what a current-coupon bond for each issuer in the indexes would yield if the bond was sold at par value. The indexes are simple averages of the average estimated yields of the bonds, are unmanaged and a direct investment cannot be made in them.

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