Fixed Income Weekly Primer

Fixed Income Solutions

As expected, the FOMC did not change their target range for the Fed Funds rate at last week's meeting, so the range remains at 4.25% to 4.50%. ISM Services Index data came in stronger than expected (51.6 vs. 50.2 expected) while the trade balance for March was lower than expected (-$140.5 vs. -$137.2 billion expected). This week is heavier than last on the economic data front, with a range of important releases. On Tuesday, CPI (Consumer Price Index) data for April comes out with expectations for year-over-year readings to go unchanged (2.4% headline and 2.8% core) while month-over-month inflation is expected to move higher at both the headline and core level. On Wednesday, Retail Sales data as well as PPI (Producer Price Index) is released. Retail sales is expected to drop versus last month, from 1.4% to 0.1%. PPI, another measure of inflation, is forecast to increase from -0.4% to 0.2% month-over-month while the year-over-year reading is expected to fall from 2.7% to 2.5%. To finish off the week, we get housing data, import/export price data, and University of Michigan Consumer Sentiment Survey data on Friday. In the face of all of this, there is a good likelihood that markets will continue to be influenced by the geopolitical situation and tariff negotiations.

Over the weekend, the US and China agreed to temporarily lower tariffs for the next three months as they work to come up with a more permanent solution. This is driving market activity early Monday morning with equity markets surging higher and bonds selling off (yields higher, prices lower) across the Treasury curve. Expectations for the FOMC through the end of the year have also shifted, with markets (per Bloomberg calculations) now pricing in 50 basis points of cuts by the end of the year compared 75 basis points last week.

Yield moves were mixed last week. Treasury yields moved higher by 4 to 8 basis points across the curve. Investment-grade corporate yields mirrored these moves as spreads showed little change for the week. Municipal bond yields were mixed, with yields on the short-to-intermediate part of the benchmark AAA curve edging slightly lower while longer maturity yields were unchanged. CD rates were mixed for the week. The number of available issuers increased (from 72 to 109). The total number of CDs available increased (from 147 to 231). 82 issuers listed offerings between 3-months and 1-year averaging a 4.135% yield-to-maturity (vs. last week's 4.116%). 106 issuers listed offerings between 3-months and 5-years averaging a 4.120% yield-to-maturity (vs. last week's 4.100%).

	Friday	WEEK AGO	CHANGE
Equities (Price Appreciation)			
S&P 500	5659.91	5686.67	-26.76
Treasuries (YTW)			
1 yr	4.050	4.000	0.050
5 yr	4.000	3.920	0.080
10 yr	4.370	4.330	0.040
30 yr	4.830	4.790	0.040
Brokered CDs (YTW)			
3 mo	4.300	4.300	0.000
6 mo	4.200	4.150	0.050
1 yr	4.050	4.000	0.050
3 yr	4.100	4.100	0.000
5 yr	4.150	4.150	0.000

	Friday	WEEK AGO	CHANGE
Municipal (AAA) (YTW)			
1 yr	2.827	2.833	-0.007
5 yr	2.991	3.006	-0.015
10 yr	3.304	3.317	-0.013
30 yr	4.372	4.368	0.004
Municipal (AAA) TEY @ 37%			
1 yr	4.487	4.497	-0.010
5 yr	4.747	4.772	-0.024
10 yr	5.245	5.266	-0.021
30 yr	6.940	6.934	0.006
MBS 30-yr (Current Coupon) (YTW)			
FNMA	5.715	5.687	0.028
GNMA	5.679	5.658	0.021

	Friday	WEEK AGO	CHANGE
Corporate Index (A) (YTW)			
1 yr	4.446	4.414	0.032
5 yr	4.668	4.626	0.042
10 yr	5.280	5.235	0.045
30 yr	5.897	5.857	0.040
Corporate Index (BBB) (YTW)			
1 yr	4.795	4.774	0.020
5 yr	5.087	5.052	0.034
10 yr	5.674	5.635	0.039
30 yr	6.262	6.227	0.035
Other Rates			
SOFR	4.280	4.360	-0.080
Fed Funds	4.310	4.310	0.000

Source: Bloomberg LP, Raymond James as of 05/12/25 *All entries are percentage (%) unless otherwise noted.*

DAY	EVENT	PERIOD	SURVEY	PRIOR
Tues	CPI YoY	Apr	2.4%	2.4%
Tues	CPI Core YoY	Apr	2.8%	2.8%
Thurs	Retail Sales Advance MoM	Apr	0.1%	1.4%
Thurs	PPI Final Demand MoM	Apr	0.2%	0.2%
Fri	UMich Sentiment	May P	53.3	52.2

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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