Fixed Income Weekly Primer

Fixed Income Solutions

FIXED INCOME MARKETS WILL CLOSE EARLY (2PM ET) ON FRIDAY

Late Friday afternoon, Moody's Investor Service downgraded the Government of the United States of America one notch, from Aaa to Aa1. The outlook was correspondingly changed from negative to stable. Moody's was the last major credit rating agency to have US government debt at the highest rating, so Friday's downgrade essentially puts the Moody's rating at the same level at the other major agencies at Aa1/AA+/AA+ (stable/stable/stable). Although none of the reasoning in the Moody's release for the downgrade constitutes any new data or analysis that was not previously known by markets, Treasury markets have sold off since the downgrade taking intermediate and long-term yields 8 to 10 basis points higher. Regarding the downgrade, Treasury Secretary Scott Bessent said that it was a "lagging indicator" on Sunday.

On Tuesday, CPI (Consumer Price Index) data came in lower than expected, at 2.3% year-over-year versus 2.4% expected. On Thursday, PPI (Producer Price Index) also came in lower than anticipated by most measures with year-over-year PPI falling from 2.7% to 2.4% (2.5% was expected). While neither of these are what the FOMC ultimately looks at to measure inflation, both data releases are positive signs for the overall direction of inflation. Still, markets continue to take most of their direction from developments in the tariff situation and the general global macroeconomic landscape. This week will be somewhat light on the economic data front, with S&P Global PMI data released on Thursday and housing data on Friday.

Yields were mixed last week. Treasury yields rose, led by the 2-year which increased by 10 basis points. Intermediate and long-term yields rose by 6 basis points. Investment-grade corporate yields were mixed, with A-rated yields increasing by 2 to 3 basis points while BBB-rated yields fell by about the same margin. Municipal yields fell by 1 to 2 basis points on the short and intermediate parts of the curve and rose by roughly the same amount on the long end of the curve. CD rates were mostly higher for the week. The number of available issuers increased (from 109 to 135). The total number of CDs available increased (from 231 to 268). 108 issuers listed offerings between 3-months and 1-year averaging a 4.173% yield-to-maturity (vs. last week's 4.135%). 133 issuers listed offerings between 3-months and 5-years averaging a 4.165% yield-to-maturity (vs. last week's 4.120%).

	Friday	WEEK AGO	CHANGE
Equities (Price Appreciation)			
S&P 500	5958.38	5659.91	298.47
Treasuries (YTW)			
1 yr	4.130	4.050	0.080
5 yr	4.060	4.000	0.060
10 yr	4.430	4.370	0.060
30 yr	4.890	4.830	0.060
Brokered CDs (YTW)			
3 mo	4.350	4.300	0.050
6 mo	4.250	4.200	0.050
1 yr	4.200	4.050	0.150
3 yr	4.150	4.100	0.050
5 yr	4.200	4.150	0.050

	Friday	WEEK AGO	CHANGE
Municipal (AAA) (YTW)			
1 yr	2.812	2.827	-0.015
5 yr	2.967	2.991	-0.024
10 yr	3.290	3.304	-0.015
30 yr	4.396	4.372	0.024
Municipal (AAA) TEY @ 37%			
1 yr	4.463	4.487	-0.023
5 yr	4.709	4.747	-0.038
10 yr	5.221	5.245	-0.023
30 yr	6.978	6.940	0.038
MBS 30-yr (Current Coupon) (YTW)			
FNMA	5.772	5.715	0.058
GNMA	5.755	5.679	0.077

	Friday	WEEK AGO	CHANGE
Corporate Index (A) (YTW)			
1 yr	4.465	4.446	0.019
5 yr	4.685	4.668	0.017
10 yr	5.297	5.280	0.017
30 yr	5.902	5.897	0.005
Corporate Index (BBB) (YTW)			
1 yr	4.761	4.795	-0.033
5 yr	5.064	5.087	-0.022
10 yr	5.658	5.674	-0.016
30 yr	6.240	6.262	-0.022
Other Rates			
SOFR	4.300	4.280	0.020
Fed Funds	4.310	4.310	0.000

Source: Bloomberg LP, Raymond James as of 05/19/25 *All entries are percentage (%) unless otherwise noted.*

DAY	EVENT	PERIOD	SURVEY	PRIOR
Thurs	Initial Jobless Claims	May 17	230k	229k
Thurs	Continuing Claims	May 10	1884k	1881k
Thurs	S&P US Manufacturing PMI	May P	49.9	50.2
Thurs	S&P US Services PMI	May P	51.0	50.8
Fri	New Home Sales	Apr	690k	724k

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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