

Fixed Income Weekly Monitor

Treasury yields little changed over the past week amongst hope of vaccine and Congressional stimulus before hope was somewhat offset by renewed virus mutation reports.

PWM Fixed Income Research

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Treasuries

- For the past week up to this very moment, Treasuries were nearly unchanged. Last week's waiting game for a Congressional stimulus bill was greeted by markets that mostly treaded water with an unconvincing slant to risk-taking. Treasury yields had been up a few basis points but that was before the surge in risk-aversion on reports of a virus mutation upsetting the UK economy and potentially worse. Last week's Fed meeting resulted in no new revelations about monetary policy. However, the economic data were disappointing: retail sales showed sequential slowing, jobless claims rose and manufacturing and services PMIs fell.
- Last week, Treasury yields traded lower: 3 mos. bills +1.8 bps at 0.08%, 1 yr Treasury Notes +0.7 bps to 0.09%, 2-year Note yields -0.4 bps at 0.11%, 5-year Notes yields -0.6 bps at 0.35%, 10-year Notes yields +1.3 bps at 0.90% and 30-year bonds yields +2.3 bps at 1.64%.

Municipals

- Bloomberg Municipal Index yields were lower for the past week; AAA-rated GO yields 2-year bonds -1 bps at 0.13%, 5-year bonds -1 bps at 0.21%, 10-year bond yields -2 bps to 0.68% and 30-year bonds were -2 bps at 1.46%.
- The 10yr AAA GO Ratio is 73.0 - richest level since 1/17/20

Corporates

- BAML Investment-grade credit spreads tightened over the past week by -4 bps to 107 bps OAS – 6 bps wider for the year
- BAML High-yield credit spreads widened over the past week by -10 bps to 403 bps OAS. 43 bps wider for the year.

Looking Ahead

- 12/22: Consumer Confidence
- 12/23: Durable Goods, Jobless Claims, Personal Income/Spending

Corporate Investment-grade OAS spreads (LTM)



12/21/2020					
Treasuries	Nominals	YTM %	5d chg. (bps)	1mo. chg. (bps)	YTD chg. (bps)
	1 yr	0.09	1	-1	-148
	2yr	0.11	0	-4	-145
	5yr	0.36	0	-1	-133
	7yr	0.63	0	2	-120
	10yr	0.91	2	8	-101
	30yr	1.65	2	13	-74
	Inflation breakeven	YTM %	5d chg. (bps)	1mo. chg. (bps)	YTD chg. (bps)
	5yr	1.89	5	27	19
	10yr	1.94	6	25	15
	Real yield	YTM %	5d chg. (bps)	1mo. chg. (bps)	YTD chg. (bps)
	5yr	-1.55	-5	-30	-153
	10yr	-1.05	-4	-17	-118
Municipals	AAA Rated GO	YTM %	5d chg. (bps)	1mo. chg. (bps)	YTD chg. (bps)
	2yr AAA GO	0.14	0	-1	-92
	5yr AAA Go	0.22	0	-2	-92
	10yr AAA GO	0.69	0	-4	-80
	A Rated GO	YTM %	5d chg. (bps)	1mo. chg. (bps)	YTD chg. (bps)
	2yr A GO	0.48	-2	8	-68
	5yr A GO	0.59	0	5	-70
	10yr A GO	1.09	4	3	-68
	A Rated Revenue	YTM %	5d chg. (bps)	1mo. chg. (bps)	YTD chg. (bps)
	2yr A Revenue	0.50	-14	-2	-74
	5yr A Revenue	0.65	-12	-7	-76
	10yr A Revenue	1.23	-5	-16	-62
	GO Ratios	Ratio	5d Chg.	1 mo.Chg.	YTD Chg.
	5yr AAA GO Ratio	56.99	-2.0	-9.4	-10.3
	10yr AAA GO Ratio	72.99	-3.2	-16.0	-4.3
MBS 30-yr		Curr. Cpn.	5d chg. (bps)	1mo. chg. (bps)	YTD chg. (bps)
	FNMA	1.37	1	1	-135
	GNMA	1.35	4	4	-108
Corporate	Yield %	OAS (bps)	Chg. OAS (bps)	Chg. OAS (bps)	Chg. OAS (bps)
Intermediate IG Index	1.16	73	-4	-8	3
AA rated	1.45	61	-3	-5	13
A Rated	1.57	78	-4	-5	8
BBB Rated	2.11	128	-6	-14	3
Intermed. High-yield Index	4.37	380	-8	-41	47
BB Rated	3.38	277	-4	-26	95
B Rated	4.65	399	-10	-45	75
CCC Rated	7.4	680	-17	-39	-189
Preferred Index	1.93				
Other		Level	5d Chg.	1 mo.Chg.	YTD Chg.
	Fed Funds Rate (Eff.)	0.09%	0.00%	0.00%	-1.46%
	3M Libor	0.24%	0.02%	0.01%	-1.67%
	Treas. Volatility Index	44.6	-4.6	2.3	-13.6
	S&P 500 Index	3709.4	1.25%	4.27%	14.81%
	VIX Index	28.0	3.2	4.9	14.2
	U.S Dollar Index	1131.2	0.00%	-1.40%	-4.53%

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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