

U.S. FIXED INCOME STRATEGIES

Daily Market View



Wealth
Management

Tuesday, April 23, 2024

Market Snapshot	Today	Prior Session
SOFR	5.31%	5.31%
10-year Treasury	4.65%	4.61%
S&P 500	5,011	4,967
IG Corporates	5.70%	5.71%
HY Corporates	8.19%	8.27%
Municipals	3.70%	3.70%

Rates & credit

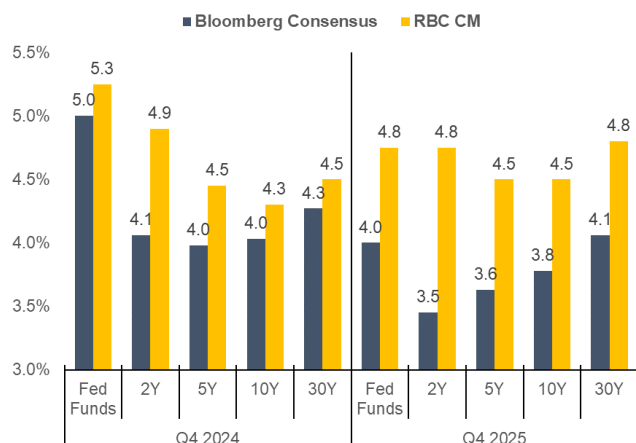
Treasury bond prices are drifting lower in premarket trading as the busiest week of earnings season gathers momentum. Yields are staged to open 3 to 4 basis points higher across the curve, while the yield on the 10-year Treasury benchmark is poised to trade above 4.6% for the third consecutive trading session. According to Bloomberg, Treasuries are so far returning negative 2.1% month-to-date, boosting losses on the year to negative 3%.

PMI data comes out later this morning, where manufacturing activity is expected to grow at a slightly slower pace in April after activity accelerated last month by the fastest pace since June 2022. Activity in the service sector is also expected to pick up slightly in April. We will be watching the price components for both indexes' on whether upward price pressures further gain momentum this month.

New home sales data also comes out today, which is projected to recover in March following an unexpected sharp decline in February. Prospective homebuyers will likely continue shifting towards building new homes as inventory of existing homes remains in short supply. In our view, we're cautious about the outlook for housing demand this year considering rising home prices and uncertainty around the outlook for interest rates.

RBC Capital Markets (CM) raised their forecast for Treasury yields in Q4 2024 and 2025 as stronger-than expected economic data fuels their expectations for higher-for-longer rates to maintain pressure on the economy. As highlighted by the chart, RBC CM's outlook for Treasury yields is above consensus throughout the curve, especially for 2025 given their view that policymakers will only gradually cut rates to avoid risk of causing a strong upsurge in inflation.

RBC CM's Rate Outlook Outside of Consensus



Source: RBC CM & Bloomberg

Event	Period	Survey	Actual	Prior
Chicago Fed National Activity Index	Mar	0.07	0.15	0.09

U.S. economic data review

Economic activity increased for a second consecutive month in the U.S. in March, according to data from the Chicago Fed. The Chicago Fed national index rose to 0.15, up from a 0.09 reading in February. Readings above zero indicate above-trend growth and rising inflationary pressures. Of the index's 85 components, 50 contributed positively in March. While the last two monthly readings have been in positive territory, the three-month moving average is negative 0.19.

Municipals

Tax-exempts ended Monday's trading session unchanged ahead of this week \$13 billion calendar primary calendar. The benchmark 5-year, 10-year and 30-year municipals ended the session yielding 2.78%, 2.74% and 3.90% respectively.

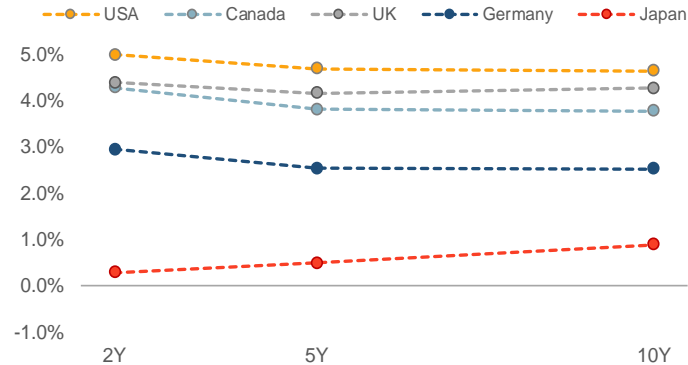
U.S. Virgin Islands Governor Albert Bryan Jr. declared a local state of emergency to stabilize the island's Water and Power Authority (WAPA) debts, which would grant him authority to tap the island nations rainy day fund to make payments to bondholders and other creditors. WAPA has a \$4 million bond payment due this week, which the emergency declaration will allow for debt service payment.

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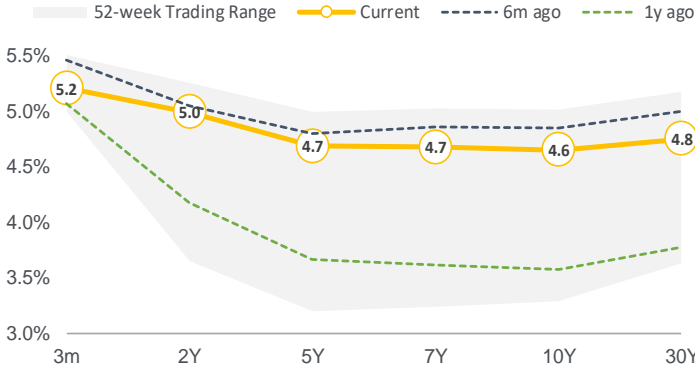
Federal Reserve & Sovereign Yields

		3M	1Y	2Y	5Y	7Y	10Y	15Y	20Y	25Y	30Y
Gov't	Treasuries	5.21	4.91	5.00	4.69	4.68	4.65	-	-	-	4.75
	Agencies	5.49	5.28	4.98	4.71	4.73	4.80	4.92	5.17	5.26	5.31
	AAA Munis	3.52	3.43	3.21	2.74	2.70	2.74	3.29	3.68	3.89	3.97
IG Corp	AA	5.42	5.37	5.13	5.02	5.08	5.22	5.39	5.50	5.44	5.46
	A	5.58	5.49	5.25	5.20	5.32	5.49	5.67	5.77	5.69	5.68
	BBB	5.91	5.85	5.61	5.56	5.71	5.89	6.04	6.12	6.01	6.01
HY Corp	BB	6.35	6.39	6.35	6.65	6.84	7.02	7.21	7.21	7.03	7.00
	B	6.20	6.36	6.58	7.28	7.51	7.63	7.91	7.93	7.77	7.70

Global Sovereign Yields



U.S. Treasury Yield Curve



Fed Funds Forecasts	YE2024	YE2025	YE2026	Long-term	10Y Tsy Yield Forecasts	2Q24	3Q24	4Q24	1Q25
Fed's 'Dot Plot' (Mar)	4.75%	4.00%	3.25%	2.75%	Consensus (Mar)	4.20%	4.03%	3.93%	3.87%
Market Pricing	4.95%	4.25%	3.75%		RBC CM (Apr)	4.45%	4.40%	4.30%	4.25%
RBC CM	5.25%	4.75%			Market Forwards	4.62%	4.60%	4.60%	4.61%

Corporates

Sector	1w Chng	Year-to-Date Performance				Corporate Bond Yields by Credit Quality					
Treasuries	0.30%	-3.0	<div><div></div></div>			10.0%	<div><div></div></div> <div><div></div></div>				
Investment Grade											
Broad Index	0.49%	-2.8	<div><div></div></div>			9.0%					
AA	0.47%	-3.8	<div><div></div></div>								
A	0.48%	-3.0	<div><div></div></div>								
BBB	0.50%	-2.5	<div><div></div></div>								
Speculative Grade											
Broad Index	0.36%		<div><div></div></div>	0.1							
BB	0.40%		<div><div></div></div>	-0.1							
B	0.36%		<div><div></div></div>	0.1							
Preferred Shares											
Fixed-Rate	1.31%		<div><div></div></div>	1.1							
Hybrids	0.98%		<div><div></div></div>	3.0							
Equities											
S&P 500	-0.79%		<div><div></div></div>	5.5							
Credit Spreads over Treasuries (bps)											
	Current	5Y Low	5Y Avg	5Y High							
Investment Grade	91	80	121	373							
Speculative Grade	316	262	408	1100							

Municipals

Weekly Muni Fund Flows	AAA Munis vs. Treasuries	Muni Yields & Muni/Treasury Ratios Over the Past Year
\$3b \$2b \$1b \$0b -\$1b -\$2b -\$3b	5.00% 4.50% 4.00% 3.50% 3.00% 2.50% 2.00% 1.50%	5.50% 5.00% 4.50% 4.00% 3.50% 3.00% 2.50% 2.00%
May Jul Oct Jan Apr	1Y 5Y 10Y 15Y 20Y 30Y	10Y 22Y+ 5Y 10Y 30Y
Select State Benchmark Yields		
CA 3.49%	PA 3.80%	AZ 3.73%
NY 3.70%	OH 3.70%	CT 3.40%
TX 3.77%	VA 3.65%	NC 3.60%
FL 3.90%	MD 3.57%	MI 3.86%
WA 3.54%	NJ 3.73%	WI 3.83%
IL 3.88%	CO 3.73%	OR 3.66%
MA 3.57%	GA 3.81%	MN 3.60%

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