

U.S. FIXED INCOME STRATEGIES

Daily Market View



Wealth
Management

Thursday, May 8, 2025

Market Snapshot	Today	Prior Session
SOFR	4.30%	4.32%
10-year Treasury	4.30%	4.27
S&P 500	5,631	5,607
IG Corporates	5.24%	5.26%
HY Corporates	7.77%	7.79%
Municipals	4.04%	4.06%

Rates & credit

Treasury yields are on the rise this morning as the Federal Reserve's wait-and-see message sinks into markets. Short-term Treasury yields, the most sensitive to Fed rate policy, are up the most in premarket trading with investors further scaling back rate cut expectations after Fed Chair President Jerome Powell said he won't be rushed into lowering borrowing costs. Fed fund futures are now pricing in a 20% chance of quarter-point rate cut in June, down from over 50% just a week ago. The recent boost in short-term Treasury yields is pushing the yield curve flatter with the yield gap between the 2-year and 10-year Treasury benchmarks narrowing to the tightest levels in about a month at 48 basis points. According to Bloomberg, Treasuries are returning negative 0.64% month-to-date, paring gains for the year to 2.90%.

President Trump announced this morning that the US has secured a comprehensive trade agreement with the UK after weeks of talks between the two countries. The deal comes two days after the UK announced they had secured a trade deal with India, which is Britain's largest agreement since they left the European Union. During intensive talks with the US, the UK focused on securing reductions to the most damaging tariffs, including 25% imposed levies on steel, aluminum and automobiles. However, with the Trump Administration now investigating the pharmaceutical industry, the UK is seeking to avoid tariffs on prescription drugs, which Britain is a major exporter to the US. Other nations that are in high level talks with the US include Japan, India, and Israel.

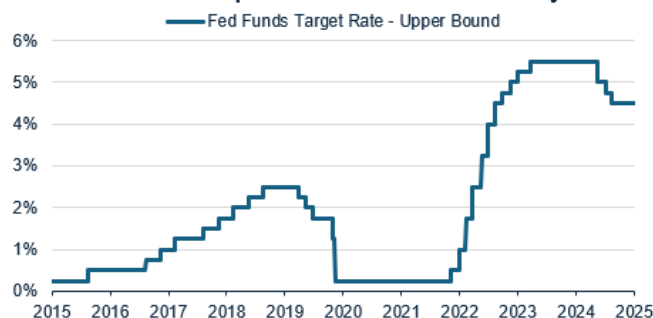
The Bank of England cut interest rates by a quarter-point yesterday to 4.25% amid concerns about the economic impact from President Trump's trade war. Five members of the Bank of England's Monetary Policy Committee voted for a quarter-point rate cut, while two members vouched for a larger half-point rate reduction. The Bank of England's committee retained its guidance that easing policy should continue to be "gradual and careful" in light of volatility across the global economy.

Event	Period	Survey	Actual	Prior
FOMC Rate Decision (Upper Bound)	May 7	4.50%	4.50%	4.50%
FOMC Rate Decision (Lower Bound)	May 7	4.25%	4.25%	4.25%
Consumer Credit	Mar	\$9.4b	\$10.2b	\$-0.6b
MBA Mortgage Application	May 2	--	11.0%	-4.2%

U.S. economic data review

As widely expected, the Federal Reserve held its policy rate steady at a range of 4.25-4.50%. The FOMC's statement described a further increase in economic uncertainty, with upside risks to both inflation and unemployment. Fed Chair Powell noted that if the current level of tariffs is sustained, that could potentially lead to higher inflation, and there is a risk that inflation could be persistent. With unemployment holding steady for now, policymakers likely felt more confident to keep rates steady for now as the effects of tariffs filter through to the economic data.

Fed remains patient and holds rates steady



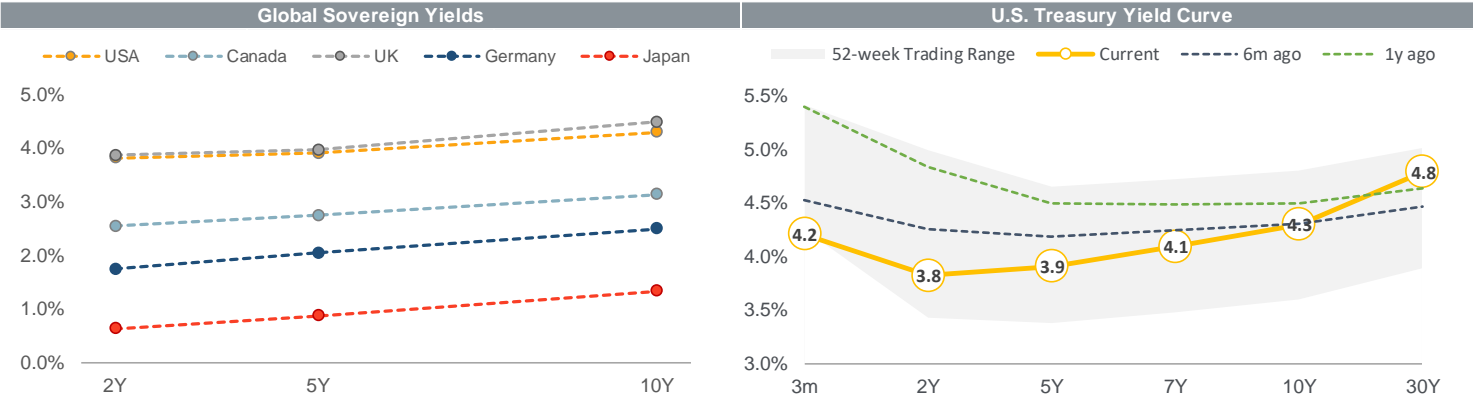
Source: RBC Wealth Management, Bloomberg

Municipals

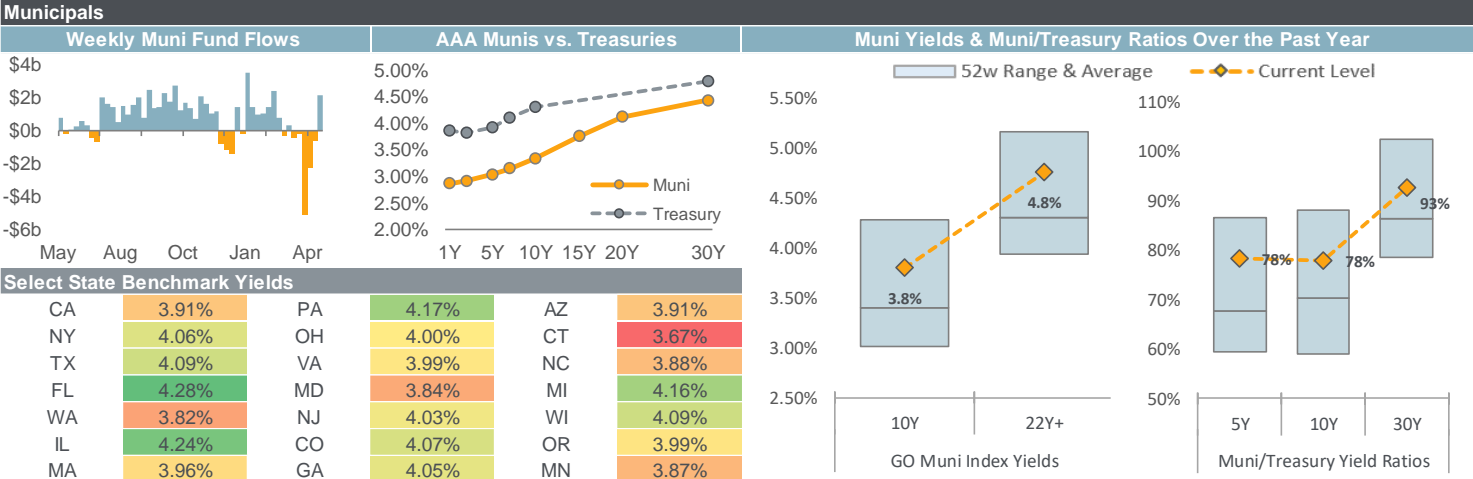
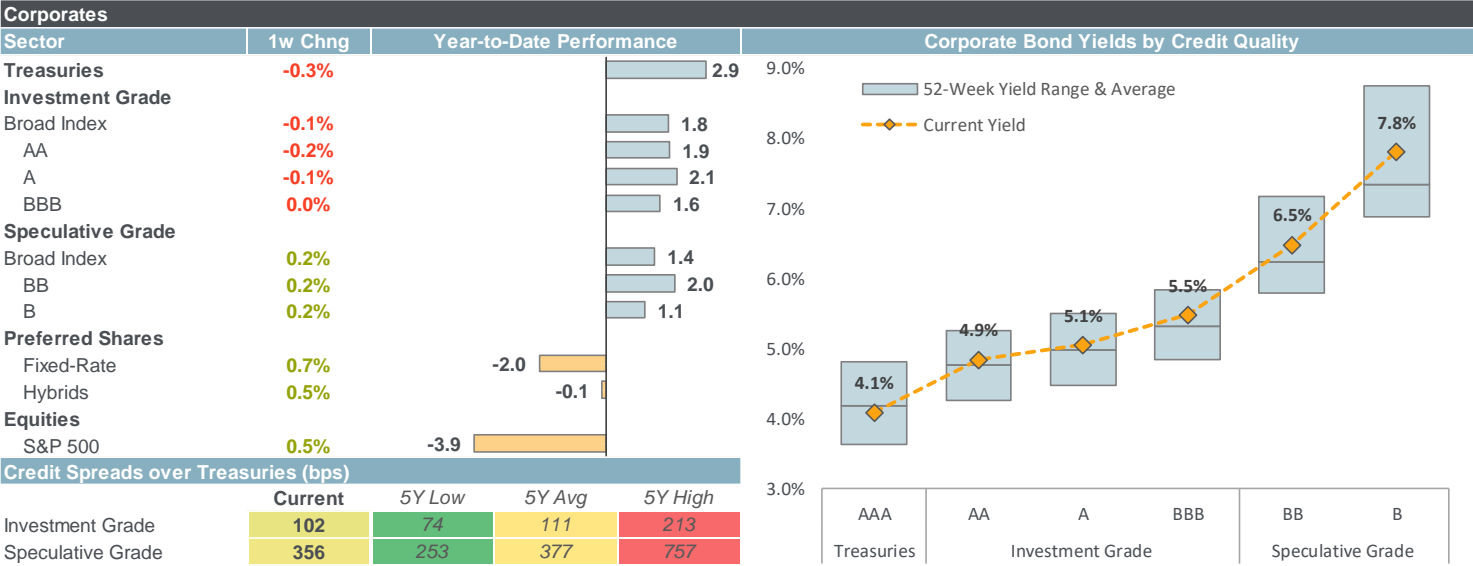
Tax-exempt yields fell 2 bps across the yield curve after holding steady during Tuesday's trading session. Benchmark 5-year, 10-year and 30-years municipals ended the session yielding 2.98%, 3.31% and 4.38%.

Representatives of the New Jersey Transit were unable to reach a labor agreement over wages on Monday. Both parties have not scheduled any new meetings with a May 16 strike deadline rapidly approaching. A strike, if it were to occur, would cause the New Jersey Transit to suspend its rail service, impacting 925,000 weekly trips across the system.

Federal Reserve & Sovereign Yields		3M	1Y	2Y	5Y	7Y	10Y	15Y	20Y	25Y	30Y
Gov't	Treasuries	4.21	3.86	3.82	3.91	4.09	4.30	-	-	-	4.79
	Agencies	4.41	4.09	3.86	3.95	4.15	4.47	4.77	5.00	5.19	5.27
	AAA Munis	3.02	2.87	2.92	3.03	3.15	3.34	3.75	4.12	4.34	4.43
IG Corp	AA	4.27	4.23	4.08	4.31	4.56	4.91	5.34	5.59	5.63	5.64
	A	4.42	4.39	4.27	4.58	4.87	5.20	5.59	5.83	5.83	5.86
	BBB	4.81	4.75	4.66	5.01	5.30	5.60	5.97	6.21	6.16	6.22
HY Corp	BB	5.58	5.60	5.61	6.17	6.41	6.70	7.02	7.34	7.27	7.31
	B	5.68	5.85	6.13	7.00	7.19	7.36	7.59	7.56	7.34	7.34



Fed Funds Forecasts	YE2025	YE2026	YE2027	Long-term	10Y Tsy Yield Forecasts	2Q25	3Q25	4Q25	1Q26
Fed's 'Dot Plot' (Mar)	4.00%	3.50%	3.25%	3.00%	Consensus (Apr)	4.25%	4.18%	4.13%	4.11%
Market Pricing	3.58%	3.14%			RBC CM (Apr)	4.10%	3.90%	3.75%	3.65%
RBC CM	3.75%	3.00%			Market Forwards	4.33%	4.37%	4.41%	4.45%



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