

U.S. FIXED INCOME STRATEGIES

Daily Market View



Wealth
Management

Tuesday, March 19, 2024

Market Snapshot	Today	Prior Session
SOFR	5.31%	5.31%
10-year Treasury	4.32%	4.33%
S&P 500	5,149	5,117
IG Corporates	5.42%	5.42%
HY Corporates	7.80%	7.82%
Municipals	3.40%	3.39%

Rates & credit

Treasury bond prices are drifting higher in premarket trading, reversing another sharp selloff yesterday. Month-to-date, Treasury yields are trading significantly higher, especially at the short end of the curve, as higher inflation readings have caused traders to dial back near-term rate cut expectations from the Federal Reserve. Treasury yields inside 10 years are up roughly 15 basis points from the start of the month while levels at the long end of the curve are up ~10 basis points. According to the Bloomberg Index, Treasuries are down 0.33% month-to-date, extending losses on the year to negative 1.92%. Markets will be tuned in to this week's Fed meeting as investors look for more guidance on potential rate cuts in the pipeline. Policymakers will release an updated "dot plot", a so-called chart which records each Fed official's projections of the overnight policy rate. Last December, policymakers projected three rate cuts in 2024 exceeding what many market participants had anticipated which sparked a sharp rally in Treasury bond prices, and lower yields, to close out 2023. However, we suspect policymakers could pare back those rate cut expectations to just two cuts this year for a couple of reasons. First, it would only take approximately two of the six policymakers to change upgrade their rate outlook. Second, markets now anticipate a July rate cut as more likely than June. At this point we think two consecutive months of rate cuts is improbable given renewed concerns about elevated inflationary pressures.

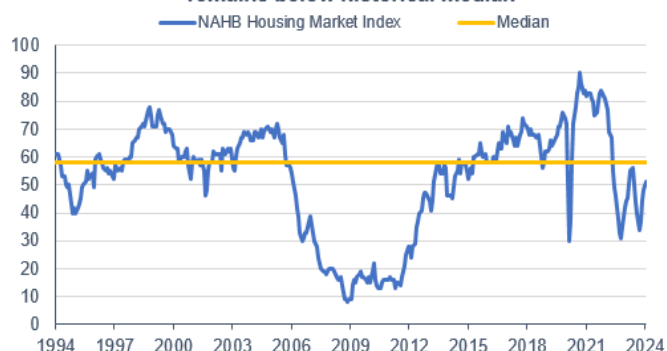
Data on housing starts and building permits for the month of February are due out later this morning, and both are expected to advance higher despite rising mortgage rates last month. Stronger housing market activity in February is anticipated after January's polar vortex which caused a delay in building projects where housing starts fell a staggering 14.8%.

Event	Period	Survey	Actual	Prior
NAHB Housing Market Index	Mar	48	51	48

U.S. economic data review

Sentiment among homebuilders rose in March, reaching the highest level since last July. Current single-family home sales, expected sales, and buyer traffic all increased during the month, according to index data. While builder sentiment has been steadily improving thus far in 2024, it remains below the 5-year average and well below levels seen just before the Federal Reserve began raising interest rates to combat inflation in 2022. While mortgage rates have pulled back from recent highs, a sustained recovery in the homebuilding sector likely won't come to fruition until borrowing costs fall more substantially, in our view.

Builder sentiment rebounds in early 2024, but remains below historical median



Source: RBC Wealth Management, Bloomberg

Municipals

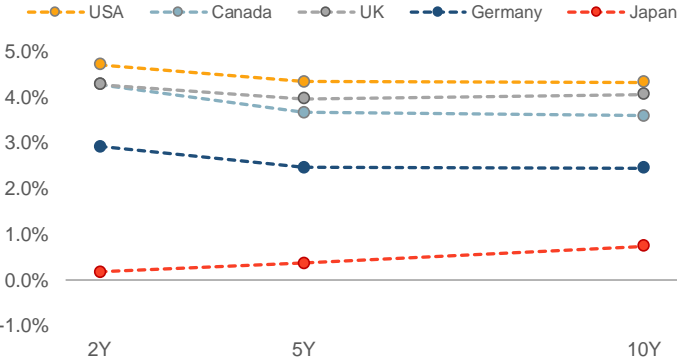
Tax-exempt trading was mixed during Monday's trading session. Yields on the benchmark 5- and 10-year municipals held firm with both ending the session yielding 2.45%, while the yield on the benchmark 30-year municipal rose 1 basis point to end the session yielding 3.58%.

After facing sizable budget deficits, San Francisco's Bay Area Transit System is banking on a bill unveiled by two state senators to help plug the transit systems projected deficits. The bill seeks to provide \$750 million to the state's transit system, which continues to face post pandemic financial pressure.

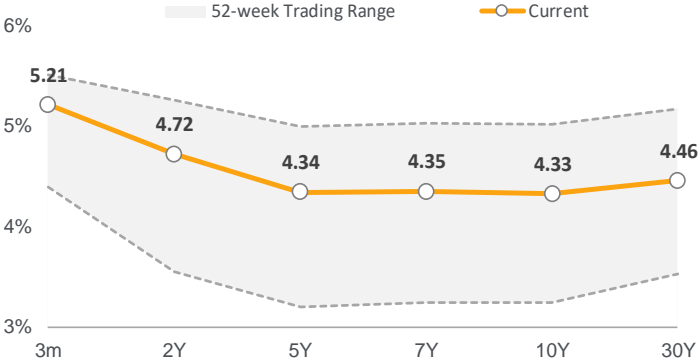
Federal Reserve & Sovereign Yields

		3M	1Y	2Y	5Y	7Y	10Y	15Y	20Y	25Y	30Y
Gov't	Treasuries	5.21	4.81	4.72	4.34	4.35	4.33	-	-	-	4.46
	Agencies	5.51	5.16	4.76	4.40	4.43	4.52	4.69	4.96	5.04	5.08
	AAA Munis	3.07	2.97	2.82	2.46	2.42	2.46	3.07	3.38	3.60	3.67
IG Corp	AA	5.38	5.24	4.92	4.74	4.79	4.93	5.11	5.22	5.17	5.19
	A	5.56	5.39	5.06	4.92	5.03	5.21	5.40	5.50	5.43	5.43
	BBB	5.85	5.73	5.45	5.33	5.45	5.61	5.79	5.86	5.76	5.76
HY Corp	BB	6.11	6.14	6.08	6.32	6.52	6.70	6.91	6.90	6.72	6.71
	B	5.95	6.07	6.25	6.94	7.21	7.35	7.66	7.77	7.61	7.53

Global Sovereign Yields



U.S. Treasury Yield Curve

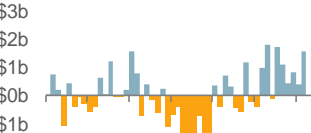

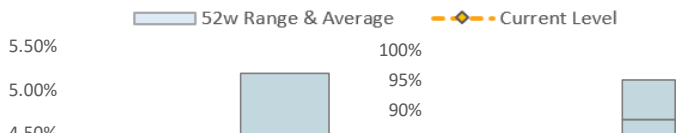


Fed Funds Forecasts	YE2024	YE2025	YE2026	Long-term	10Y Tsy Yield Forecasts	1Q24	2Q24	3Q24	4Q24
Fed's 'Dot Plot' (Dec)	4.75%	▼ 3.75%	▼ 3.00%	▼ 2.50%	Consensus (Feb)	4.14%	3.98%	3.87%	3.83%
Market Pricing	4.61%	▼ 3.75%	▼ 3.00%		RBC CM (Mar)	4.15%	4.05%	3.95%	4.00%
RBC CM	4.75%	▼ 4.25%			Market Forwards	4.31%	4.29%	4.29%	4.29%

Corporates

Sector	1w Chng	Year-to-Date Performance	Corporate Bond Yields by Credit Quality													
Treasuries	-0.92%	-1.9	<div><div></div>52-Week Yield Range & Average</div> <div><div></div>Current Yield</div> <div><div></div>10.0%</div>													
Investment Grade																
Broad Index	-0.74%	-1.4	<div><div></div>9.0%</div>													
AA	-0.87%	-2.1														
A	-0.78%	-1.6	<div><div></div>8.0%</div>													
BBB	-0.68%	-1.2														
Speculative Grade																
Broad Index	-0.17%	0.9	<div><div></div>7.0%</div>													
BB	-0.22%	0.3														
B	-0.17%	0.8	<div><div></div>6.0%</div>													
Preferred Shares																
Fixed-Rate	-0.34%	4.2	<div><div></div>5.0%</div>													
Hybrids	0.46%	3.7	<div><div></div>5.3%</div>													
Equities																
S&P 500	-0.47%	8.3	<div><div></div>4.0%</div>													
Credit Spreads over Treasuries (bps)			<div><div></div>3.0%</div>													
Investment Grade	89	80	121	373	AAA		AA		A		BBB		BB		B	
Speculative Grade	301	262	409	1100	Treasuries		Investment Grade				Speculative Grade					

Municipals

Weekly Muni Fund Flows			AAA Munis vs. Treasuries			Muni Yields & Muni/Treasury Ratios Over the Past Year		
								
MarJunSepDecFeb			1Y5Y10Y15Y20Y30Y			52w Range & AverageCurrent Level		
Select State Benchmark Yields								
CA	3.17%	PA	3.51%	AZ	3.39%			
NY	3.43%	OH	3.38%	CT	3.07%			
TX	3.46%	VA	3.35%	NC	3.30%			
FL	3.61%	MD	3.24%	MI	3.55%			
WA	3.21%	NJ	3.42%	WI	3.51%			
IL	3.59%	CO	3.43%	OR	3.33%			
MA	3.26%	GA	3.55%	MN	3.26%			

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