

U.S. FIXED INCOME STRATEGIES

Daily Market View



Wealth
Management

Tuesday, March 12, 2024

Market Snapshot	Today	Prior Session
SOFR	5.31%	5.31%
10-year Treasury	4.08%	4.08%
S&P 500	5,118	5,124
IG Corporates	5.26%	5.23%
HY Corporates	7.74%	7.72%
Municipals	3.35%	3.35%

Rates & credit

Treasury bond prices are edging higher prior to this morning's release of the February CPI report, causing yields to move 1 to 2 basis points lower across the curve. According to Bloomberg, Treasuries are returning 0.93% month-to-date, paring losses on the year to negative 0.67%.

CPI inflation data is projected to come in mixed for the month of February, suggesting the road back to 2% inflation will be a bumpy one for the Federal Reserve. Headline prices are expected to accelerate on a monthly basis to 0.4% on the back of higher gasoline prices after oil prices raced higher for most of February. Core inflation, which excludes food and energy prices, are forecasted to decelerate slightly from January. Continued decline in vehicle prices will likely be a key driver for core disinflation while shelter prices are projected to come in mostly unchanged. Policymakers will certainly be watching for more clues on whether inflation is on a sustainable path towards their 2% price target. But if inflation forecasts for February are correct, the Federal Reserve will likely remain patient on rate cuts as we head into their next committee meeting on March 19-20.

NFIB small business optimism is expected to further deteriorate in February after job creation plans in a separate report dropped to the lowest levels since May 2020, notably in transportation, agriculture, and services. In our view, we remain cautious on the state of labor market headed forward. While resilient labor market conditions have supported economic growth over the past year, progressively weaker labor demand could limit economic activity later in the year.

High-risk assets remain the top performing U.S. fixed income sectors this year with preferreds leading the way at 3.4% returns, followed by leveraged loans returning 2.1%, and high yield corporates returning 1%.

Performance on low-risk assets such as Treasuries, IG corporates and MBS are clawing their way back following poor returns in February, although returns in those sectors remain in negative territory year-to-date.

Event	Period	Survey	Actual	Prior
NY Fed 1-Yr Inflation	Feb	--	3.04%	3.00%

U.S. economic data review

Americans' outlook on inflation over the next year edged higher in February according to a survey from the New York Fed. Five-year expectations reached a six-month high of 2.9%, while three-year expectations also rose from a record low last month. The data highlights why the Federal Reserve wants more evidence that inflation is sustainably falling before lowering interest rates, as a resurgence in inflation expectations could lead to a reacceleration of prices.

Municipals

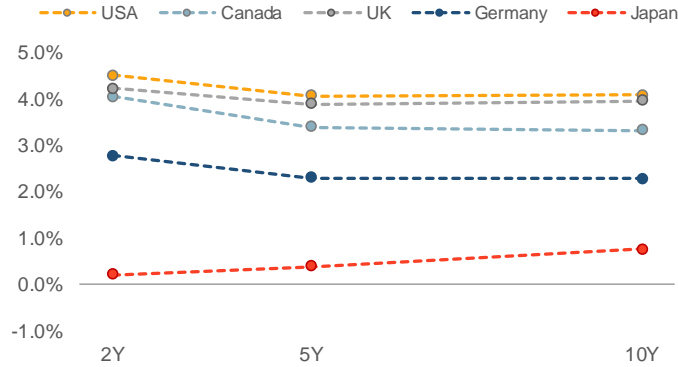
Tax-exempts held firm ahead of this week's more than \$11 billion issuance calendar with the 5-year, 10-year and 30-year benchmark municipals ending the session yielding 2.40%, 2.40% and 3.57% respectively. Municipals are returning 0.44% month-to-date and 0.06% year-to-date.

Smaller institutions of higher education are experiencing more credit rating downgrades due to rising financial pressure from declining enrollment trends. While this negative trend is occurring across the country, colleges in the Northeast region are experiencing the majority of rating downgrades.

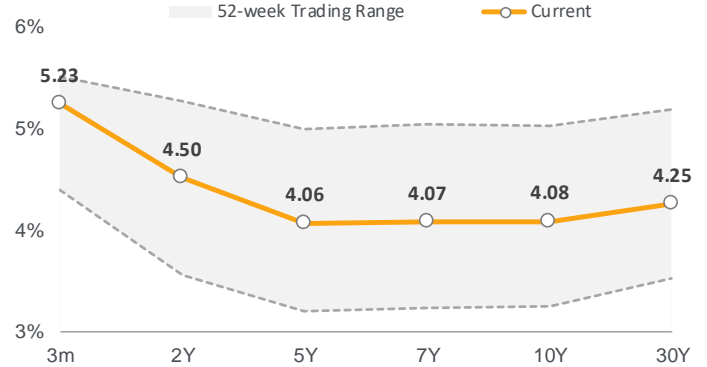
Federal Reserve & Sovereign Yields

		3M	1Y	2Y	5Y	7Y	10Y	15Y	20Y	25Y	30Y
Gov't	Treasuries	5.23	4.69	4.50	4.06	4.07	4.08	-	-	-	4.25
	Agencies	5.45	5.02	4.53	4.12	4.16	4.26	4.44	4.69	4.76	4.80
	AAA Munis	3.03	2.93	2.78	2.41	2.37	2.46	3.10	3.36	3.58	3.65
IG Corp	AA	5.28	5.11	4.74	4.50	4.56	4.71	4.92	5.05	5.01	5.04
	A	5.48	5.27	4.89	4.69	4.81	5.01	5.22	5.33	5.27	5.28
	BBB	5.76	5.61	5.27	5.12	5.26	5.42	5.62	5.70	5.61	5.61
HY Corp	BB	5.97	5.99	5.93	6.17	6.37	6.55	6.76	6.77	6.60	6.56
	B	5.87	5.95	6.10	6.82	7.10	7.25	7.56	7.68	7.52	7.44

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		4.39%	3.75%	3.00%		RBC CM (Feb)		4.15%	4.00%	3.85%	3.80%
RBC CM		4.25%	3.50%			Market Forwards		4.03%	4.02%	4.02%	4.02%

Corporates

Sector	1w Chng	Year-to-Date Performance	Corporate Bond Yields by Credit Quality							
Treasuries	0.80%	-0.6								
Investment Grade										
Broad Index	0.96%	-0.4								
AA	1.02%	-0.9								
A	0.97%	-0.5								
BBB	0.93%	-0.3								
Speculative Grade										
Broad Index	0.45%									
BB	0.44%									
B	0.42%									
Preferred Shares										
Fixed-Rate	1.27%									
Hybrids	1.11%									
Equities										
S&P 500	-0.11%									
Credit Spreads over Treasuries (bps)										
	Current	5Y Low	5Y Avg	5Y High						
Investment Grade	95	80	121	373						
Speculative Grade	314	262	410	1100						

Municipals

Weekly Muni Fund Flows		AAA Munis vs. Treasuries		Muni Yields & Muni/Treasury Ratios Over the Past Year	
Select State Benchmark Yields					
CA	3.11%	PA	3.47%	AZ	3.34%
NY	3.36%	OH	3.34%	CT	2.99%
TX	3.42%	VA	3.31%	NC	3.27%
FL	3.57%	MD	3.20%	MI	3.50%
WA	3.17%	NJ	3.38%	WI	3.47%
IL	3.56%	CO	3.42%	OR	3.26%
MA	3.21%	GA	3.49%	MN	3.22%

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