

# Fixed Income Weekly Primer

## Fixed Income Solutions

Yields were mixed last week as markets digested a string of economic releases while recalibrating expectations for FOMC policy decisions over the coming months. Data on the labor markets came in weaker as JOLTS Job Openings unexpectedly fell by ~200,000 jobs and the Change on Nonfarm Payrolls came in lower than expectations at 29,000 (90,000 was expected). Payrolls for prior months were also revised lower while the unemployment rate rose from 4.1% to 4.2%. PCE data was better than expected which is important as PCE remains the FOMC's primary measure of inflation. Core PCE year-over-year was 3.0% (3.3% was expected) and Core PCE month-over-month was 0.2% (0.3% was expected). Weaker labor market data combined with better than expected inflation data sharply reduced market expectations for a Fed Funds rate increase by the FOMC at this month's meeting. Market expectations for a hike, per Bloomberg calculations, fell from a ~70% chance at the start of the week to ~22% by the end of the week. This week is much lighter on the data releases. FOMC meeting minutes from the September 16 meeting will be released on Wednesday which should provide insight into how FOMC members are viewing the economy and expectations for future FOMC policy decisions. Treasury auction activity could also move markets this week with several large auctions on the schedule. There is a \$58 billion 3-year auction Tuesday, a \$39 billion 10-year auction on Wednesday, and a \$22 billion 30-year auction on Thursday. Any perceived weakness in any or all of these auctions could push yields higher while a strong series of auctions could provide comfort and send yields lower.

Treasury yields were mostly higher last week. The 1-year yield fell by 4 basis points while the rest of the curve was 2 to 14 basis points higher with larger moves seen across longer maturities as the 30-year yield rose by 14 basis points. Investment-grade corporate yields moved mostly in tandem with benchmark yields (higher by 3 to 15 basis points across the curve) as spreads were marginally wider, by 1-2 basis points. High-yield spreads widened by ~8 basis points. Municipal yields fell across the short and intermediate part of the curve while rising on the long-end. The benchmark AAA curve fell by 2 to 11 basis points 20-years and shorter while the 30-year yield rose by 3 basis points. Muni-Treasury ratios remain most attractive on the intermediate and long part of the curve, currently sitting at ~75% at 10-years and ~90% at 30-years. CD rates have increased ~5 basis points across the front end of the curve and ~20 basis points on the long end. The average rate for 3-month to 1-year maturities increased to 4.26%, from 4.20% the previous week. The average rate for 2-year to 5-year maturities increased to 4.95% from 4.74%. CD offerings remained concentrated on the front end of the curve, with 70 offerings in the 3-month to 1-year maturity range.

|                                      | Friday  | WEEK AGO | CHANGE   |                                         | Friday | WEEK AGO | CHANGE   |                                    | Friday | WEEK AGO | CHANGE   |
|--------------------------------------|---------|----------|----------|-----------------------------------------|--------|----------|----------|------------------------------------|--------|----------|----------|
| <b>Equities (Price Appreciation)</b> |         |          |          | <b>Municipal (AAA) (YTW)</b>            |        |          |          | <b>Corporate Index (A) (YTW)</b>   |        |          |          |
| S&P 500                              | 7722.72 | 7743.41  | ▼ -20.69 | 1 yr                                    | 3.344  | 3.396    | ▼ -0.052 | 1 yr                               | 4.858  | 4.830    | ▲ 0.028  |
| <b>Treasuries (YTW)</b>              |         |          |          | 5 yr                                    | 3.544  | 3.650    | ▼ -0.106 | 5 yr                               | 5.637  | 5.533    | ▲ 0.105  |
| 1 yr                                 | 4.460   | 4.500    | ▼ -0.040 | 10 yr                                   | 3.954  | 4.051    | ▼ -0.097 | 10 yr                              | 6.086  | 5.956    | ▲ 0.129  |
| 5 yr                                 | 5.060   | 4.980    | ▲ 0.080  | 30 yr                                   | 5.107  | 5.081    | ▲ 0.026  | 30 yr                              | 6.507  | 6.356    | ▲ 0.151  |
| 10 yr                                | 5.280   | 5.170    | ▲ 0.110  | <b>Municipal (AAA) TEY @ 37%</b>        |        |          |          | <b>Corporate Index (BBB) (YTW)</b> |        |          |          |
| 30 yr                                | 5.630   | 5.490    | ▲ 0.140  | 1 yr                                    | 5.308  | 5.390    | ▼ -0.082 | 1 yr                               | 5.089  | 5.044    | ▲ 0.045  |
| <b>Brokered CDs (YTW)</b>            |         |          |          | 5 yr                                    | 5.626  | 5.793    | ▼ -0.168 | 5 yr                               | 5.919  | 5.800    | ▲ 0.119  |
| 3 mo                                 | 4.200   | 4.200    | ■ 0.000  | 10 yr                                   | 6.276  | 6.431    | ▼ -0.155 | 10 yr                              | 6.354  | 6.217    | ▲ 0.137  |
| 6 mo                                 | 4.300   | 4.250    | ▲ 0.050  | 30 yr                                   | 8.107  | 8.065    | ▲ 0.041  | 30 yr                              | 6.766  | 6.615    | ▲ 0.151  |
| 1 yr                                 | 4.500   | 4.400    | ▲ 0.100  | <b>MBS 30-yr (Current Coupon) (YTW)</b> |        |          |          | <b>Other Rates</b>                 |        |          |          |
| 3 yr                                 | 5.000   | 4.750    | ▲ 0.250  | FNMA                                    | 6.426  | 6.263    | ▲ 0.163  | SOFR                               | 3.880  | 3.900    | ▼ -0.020 |
| 5 yr                                 | 5.050   | 4.900    | ▲ 0.150  | GNMA                                    | 6.431  | 6.290    | ▲ 0.141  | Fed Funds                          | 3.880  | 3.880    | ■ 0.000  |

Source: Bloomberg LP, Raymond James as of 10/05/26

All entries are percentage (%) unless otherwise noted.

| DAY  | EVENT                     | PERIOD  | SURVEY | PRIOR |
|------|---------------------------|---------|--------|-------|
| Mon  | ISM Services Index        | Sept    | 55.0   | 55.4  |
| Wed  | MBA Mortgage Applications | Oct 2   | -      | -6.0% |
| Wed  | FOMC Meeting Minutes      | Sept 16 | -      | -     |
| Thur | Initial Jobless Claims    | Oct 3   | 200k   | 197k  |
| Fri  | UMich Sentiment           | Oct P   | 47.7   | 48.1  |

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The S&P 500 is an index of 500 widely held securities meant to reflect the risk/return characteristics of the large cap universe.

GDP(Gross Domestic Product) is the annual total market value of all final goods and services produced domestically by the U.S.

The S&P U.S. Preferred Index measures the performance of a select group of preferred stocks listed on the New York Stock Exchange, NYSE Arca, Inc., NYSE Amex, NASDAQ Global Select Market, NASDAQ Select Market or NASDAQ Capital Market.

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The Mortgage Bankers Association Market Composite Index is a measure of mortgage loan application volume.

The Bloomberg U.S. Corporate Bond Indexes are comprised of the "active" (most frequently traded) fixed coupon bonds represented by FINRA TRACE, FINRA's transaction reporting facility that disseminates all over-the-counter secondary market transactions in these public bonds.

A credit rating of a security is not a recommendation to buy, sell or hold securities and may be subject to review, revisions, suspension, reduction or withdrawal at any time by the assigning rating agency.

U.S. Treasury securities are guaranteed by the U.S. government and, if held to maturity, offer a fixed rate of return and guaranteed principal value.

Taxable Equivalent Yield (TEY) is a method of comparing yields of tax-exempt bonds to those of taxable bonds on a pre-tax basis. TEY is the yield required on a taxable bond to equal the yield of a tax-free bond. It is calculated by dividing the tax-free yield by the reciprocal of the federal tax rate. The highest U.S. tax bracket of 37% is used in the illustration in this material. While interest on municipal bonds is generally exempt from federal income tax, it may be subject to the federal alternative minimum tax, or state or local taxes. In addition, certain municipal bonds, such as Build America Bonds (BAB), are issued without a federal tax exemption, which subjects the related interest income to federal income tax.

Municipal securities typically provide a lower yield than comparably rated taxable investments in consideration of their tax-advantaged status. Investments in municipal securities may not be appropriate for all investors, particularly those who do not stand to benefit from the tax status of the investment. Please consult an income tax professional to assess the impact of holding such securities on your tax liability.

The Bloomberg U.S. municipal curve is populated with high quality US municipal bonds with an average rating of AAA from Moody's and S&P. The yield curve is built using non-parametric fit of market data obtained from the Municipal Securities Rulemaking Board, new issues, and other proprietary contributed prices. The curve represents 5% couponing. The 3 month to 10 year points are bullet yields, and the 11 year to 30 year points are yields to worst for a 10-year call.

Yield-to-worst (YTW) is the lowest bond yield generated, given the potential stated calls prior to maturity.

An investment cannot be made in the unmanaged indexes mentioned in this material.

A basis point (BP) is a unit that is equal to 1/100th of 1%, and is used to denote the change in a financial instrument.

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