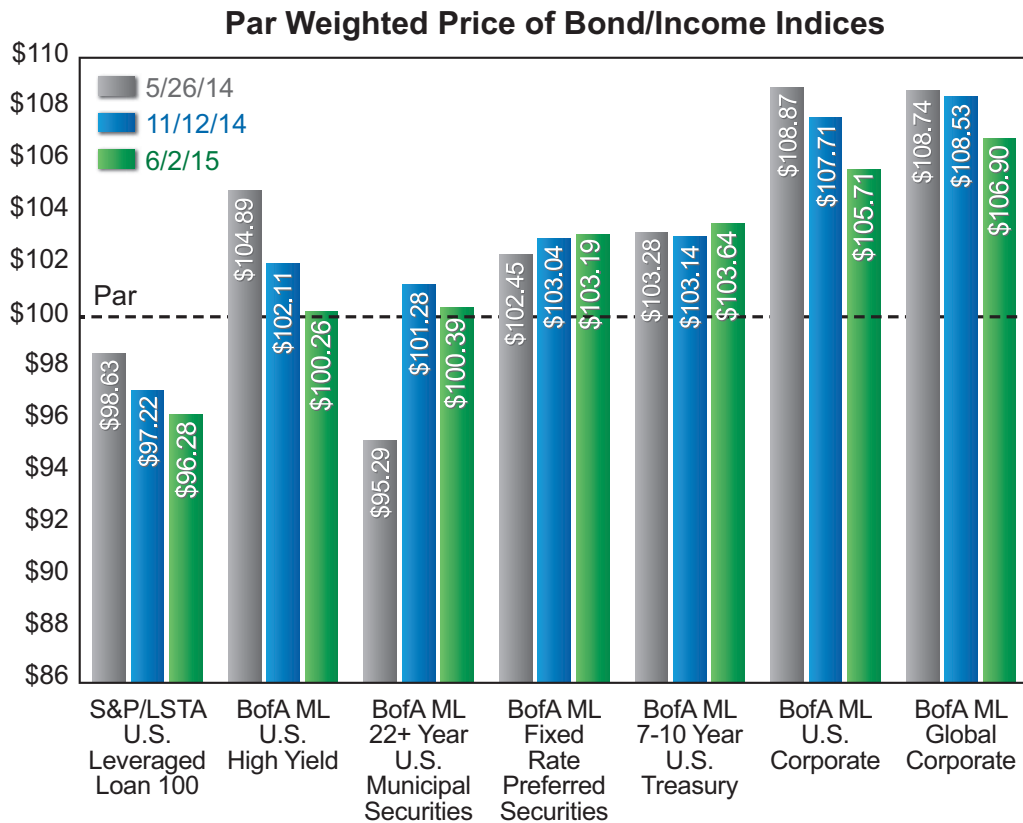


Treasury Yields Are Inching Higher...Again



Sources: Bloomberg, BofA Merrill Lynch. Past performance is no guarantee of future results.

View from the Observation Deck

1. The yield on the benchmark 10-Year Treasury Note increased from 1.91% on 4/2/15 to 2.26% on 6/2/15 – an increase of 35 basis points. While higher of late, it remains well below where it stood (3.03%) at the close of 2013.
2. Bond investors appear to be more-and-more sensitive to any economic data that could tip the balance in favor of a Federal Reserve interest rate hike, in our opinion. Having said that, net inflows to bond funds remain strong.
3. For the 12-month period ended April 30, 2015, data showed that investors funneled a net \$141.51 billion into bond mutual funds and exchange-traded products, according to Morningstar. April's net inflows totaled \$13.43 billion.
4. As indicated in the chart, with the exception of leveraged loans (senior loans), all of the major bond indices featured were priced above their respective par values on 6/2/15.
5. Today's blog post is intended to be an FYI to those investors with a lot of exposure to bonds and bond funds in their investment portfolios. If interest rates continue to trend higher, expect to see bond prices trend lower.

This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions or other expenses incurred when investing. Investors cannot invest directly in an index. The BofA Merrill Lynch 22+ Year U.S. Municipal Securities Index tracks the performance of U.S. dollar denominated investment grade tax-exempt debt publicly issued by U.S. states and territories, and their political subdivisions, in the U.S. domestic market. The BofA Merrill Lynch Fixed Rate Preferred Securities Index tracks the performance of investment grade fixed rate U.S. dollar denominated preferred securities issued in the U.S. domestic market. The S&P/LSTA Leveraged Loan 100 Index is a market value-weighted index designed to measure the performance of the largest segment of the U.S. syndicated leveraged loan market. The BofA Merrill Lynch 7-10 Year U.S. Treasury Index tracks the performance of U.S. dollar denominated sovereign debt publicly issued by the U.S. government in its domestic market. The BofA Merrill Lynch U.S. High Yield Index tracks the performance of U.S. dollar denominated below investment grade corporate debt publicly issued in the U.S. domestic market. The BofA Merrill Lynch U.S. Corporate Index tracks the performance of U.S. dollar denominated investment grade corporate debt publicly issued in the U.S. domestic market. The BofA Merrill Lynch Global Corporate Index tracks the performance of investment grade corporate debt publicly issued in the major domestic and Eurobond markets.

