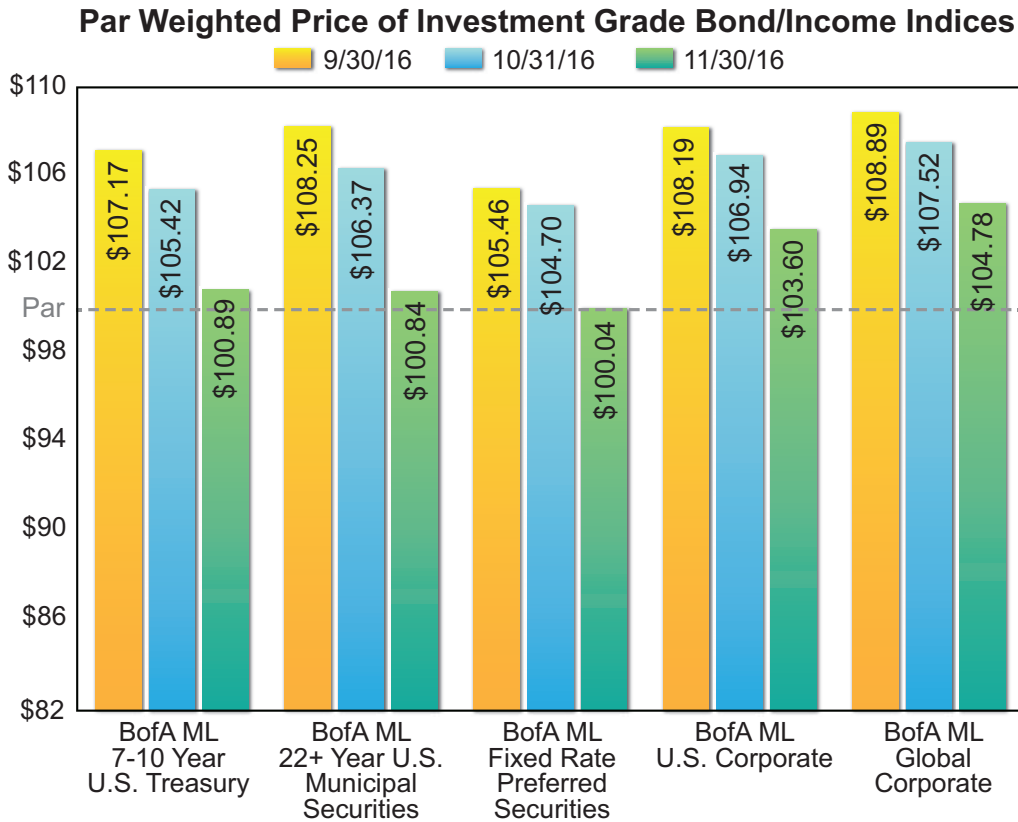


Interest Rates Spiked In November And Investment Grade Bond Prices Fell



Source: BofA Merrill Lynch. Past performance is no guarantee of future results.

View from the Observation Deck

1. Intermediate-term interest rates moved markedly higher following the presidential election. In general, as interest rates rise, fixed-rate bond prices tend to fall, particularly those of the highest credit quality.
2. From 11/8/16 through 11/30/16, the yield on the benchmark 10-year Treasury note (T-note) surged 52 basis points, from 1.86% to 2.38%, according to Bloomberg. Its yield stood at 1.60% on 9/30/16.
3. The 2.38% yield registered on 11/30/16, however, was still below the 2.44% average yield posted in the current U.S. economic recovery. The recovery commenced in July 2009, according to the National Bureau of Economic Research.
4. Investors should know that interest rates are still sitting at extremely low levels on a historical basis. For the 50-year period ended 11/30/16, the average yield on the 10-year T-note was 6.51%, according to Bloomberg.
5. If interest rates continue to rise moving forward, investors should expect further downward pricing pressure on fixed-rate bonds. We intend to keep a close eye on the direction of interest rates moving forward.

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 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 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 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.