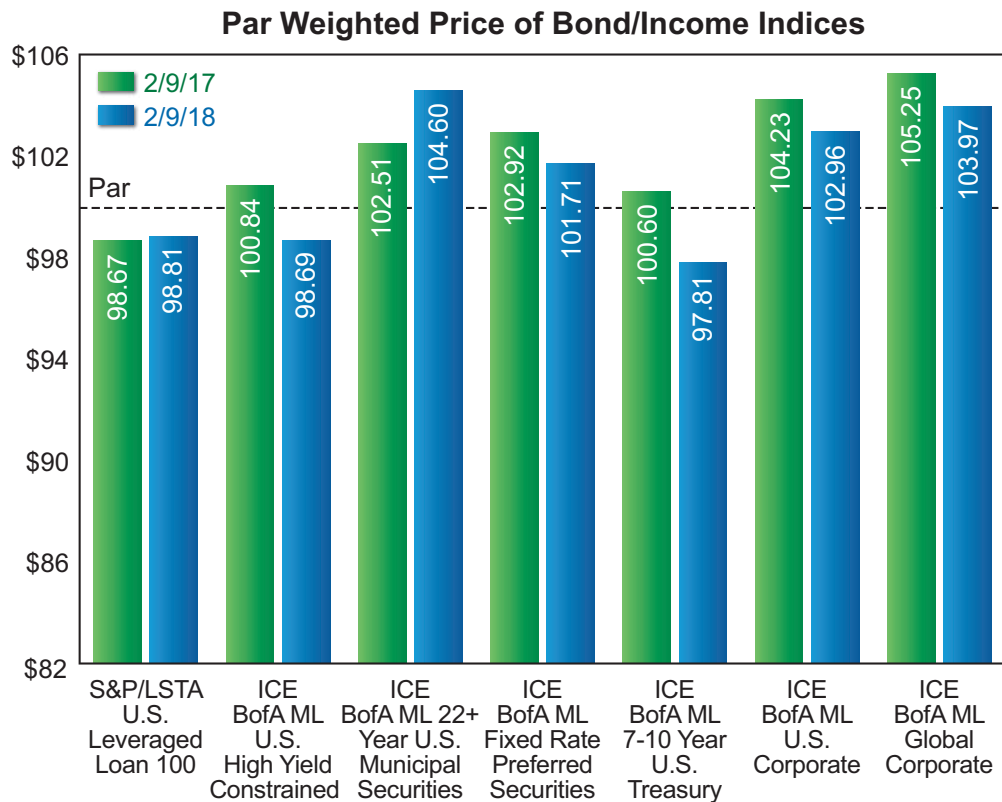


# A Snapshot of Bond Valuations



## View from the Observation Deck

1. Today's blog post is one we do ongoing so that investors can monitor fluctuations in bond prices relative to changes in interest rates.
2. The yield on the benchmark 10-year Treasury note rose from 2.40% at the close of 2/9/17 to 2.85% on 2/9/18, or an increase of 45 basis points (bps), according to Bloomberg. The closing low for the period was 2.04% (9/7/17). The closing high was 2.85% (2/9/18).
3. Since 12/16/15, the Federal Reserve (the "Fed") has increased the federal funds target rate (upper bound) 125 bps, from 0.25% to 1.50%. The Fed has stated that it is leaning towards another three rate hikes in 2018.
4. Leveraged loans (senior loans), which tend to be speculative-grade in nature, and longer maturity municipal bonds were the only two indices in the chart that posted price gains for the 12-month period ended 2/9/18.
5. Despite the rise in interest rates, retail investors funneled more capital into bond mutual funds last year than in 2016. In 2017, bond funds reported net inflows totaling \$260.1 billion, up 143% from the \$106.9 billion in net inflows in 2016, according to the Investment Company Institute.

*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 ICE 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 ICE 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 U.S. 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 ICE 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 ICE BofA Merrill Lynch U.S. High Yield Constrained Index tracks the performance of U.S. dollar denominated below investment grade corporate debt publicly issued in the U.S. domestic market. The ICE 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 ICE BofA Merrill Lynch Global Corporate Index tracks the performance of investment grade corporate debt publicly issued in the major domestic and Eurobond markets. LIBOR, or ICE LIBOR, is a benchmark rate that some of the world's leading banks charge each other for short-term loans. It stands for Intercontinental Exchange London Interbank Offered Rate and serves as the first step to calculating interest rates on various loans throughout the world.*

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