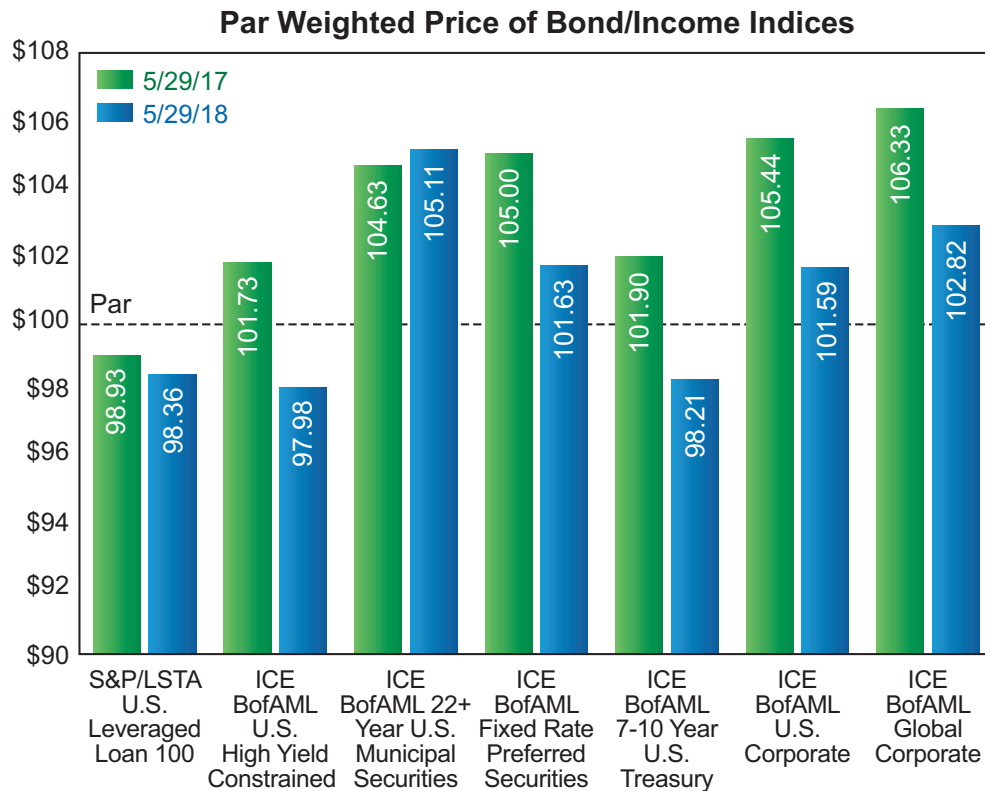


A Snapshot of Bond Valuations



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

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 (T-note) rose from 2.25% at the close of 5/29/17 to 2.78% on 5/29/18, or an increase of 53 basis points (bps), according to Bloomberg. The closing low for the period was 2.04% (9/7/17), while the closing high was 3.11% (5/17/18). The all-time closing low for the yield on the 10-year T-note was 1.36% on 7/8/16, according to Bloomberg.
3. Since 5/29/17, the Federal Reserve (the "Fed") has increased the federal funds target rate (upper bound) 75 bps, from 1.00% to 1.75%, according to Bloomberg. For the 30-year period ended 5/29/18, the federal funds target rate (upper bound) averaged 3.29%, nearly double where it stands today.
4. Most economists expect the Fed to initiate two to three more 25 basis point rate hikes by year-end, according to The Wall Street Journal. Investors see a 91.3% probability of a rate increase at the Fed's next policy meeting in June (12th-13th), according to the CME Group.
5. Longer maturity municipal bonds was the only index in the chart that posted a price gain for the 12-month period ended 5/29/18.

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 BofAML 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 BofAML 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 BofAML 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 BofAML 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 BofAML 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 BofAML Global Corporate Index tracks the performance of investment grade corporate debt publicly issued in the major domestic and Eurobond markets.

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