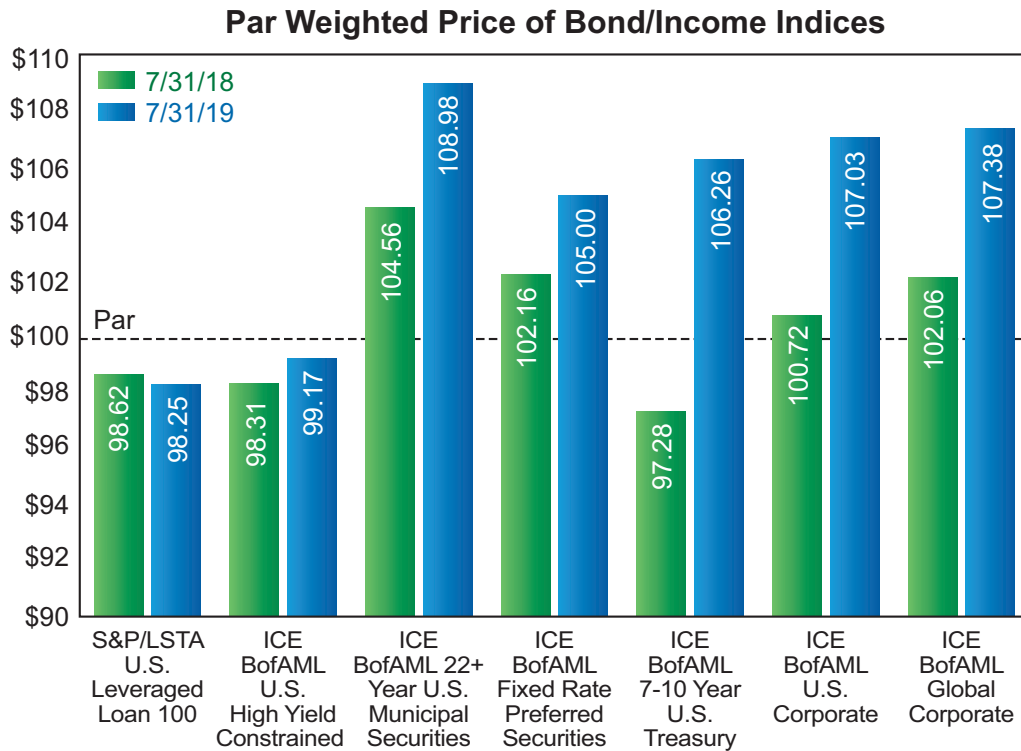


A Snapshot of Bond Valuations



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) fell from 2.96% at the close of 7/31/18 to 2.02% on 7/31/19, or a decline of 94 basis points (bps), according to Bloomberg. The closing low for the period was 1.95% (7/3/19), while the closing high was 3.24% (11/8/18). 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 7/31/18, the Federal Reserve ("Fed") has increased the federal funds target rate (upper bound) 25 bps, from 2.00% to 2.25%. In the period, the Fed had actually raised the target rate to 2.50%, but then cut it back to 2.25% on 7/31/19.
4. For the 30-year period ended 7/31/19, the federal funds target rate (upper bound) averaged 3.04%, according to Bloomberg. On a historical basis, the Fed's current monetary policy is not tight.
5. The investment-grade bond indices and the high yield corporate bond index featured in the chart reflect an upward adjustment in pricing year-over-year. The leveraged loan index was the only one down, albeit slightly.
6. Investors funneled an estimated net \$197,455 billion and \$47,696 billion, respectively, into Taxable Bond and Municipal Bond mutual funds and exchange-traded funds for the 12-month period ended 6/30/19, according to Morningstar.

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 with a remaining term to maturity greater than or equal to 22 years. 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 with a remaining term to maturity between 7 to 10 years. 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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