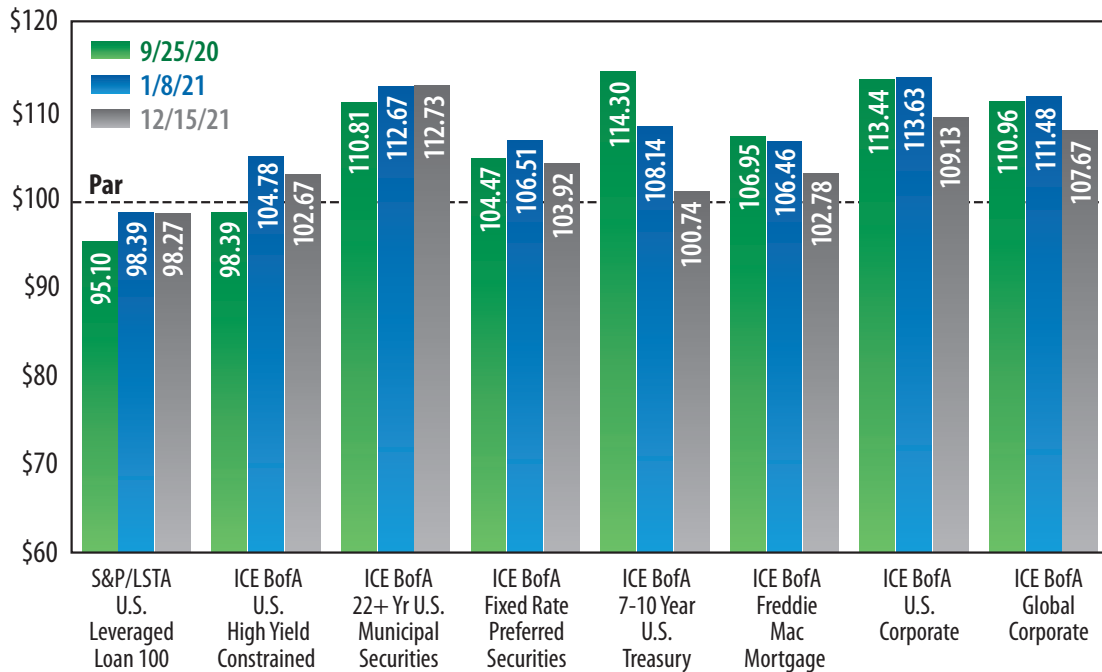


A Snapshot Of Bond Valuations

Par Weighted Price of Bond/Income Indices



Source: Bloomberg, Bank of America. **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. The dates in the chart mark some recent posts.
2. Since 9/25/20 (green bars in chart), the Federal Reserve ("Fed") has kept the federal funds target rate (upper bound) at 25 basis points (bps).
3. For the 30-year period ended 12/15/21, the federal funds target rate (upper bound) averaged 2.52%, according to Bloomberg. It reached as high as 6.50% in May 2000.
4. The yield on the benchmark 10-year Treasury note (T-note) rose from 0.66% at the close on 9/25/20 to 1.46% at the close on 12/15/21, or an increase of 80 basis points, according to Bloomberg. Its average yield was 4.04% for the 30-year period ended 12/15/21.
5. For comparative purposes, here were the closing yields as of 12/15/21 for the indices featured in the chart: 3.97% (U.S. Leveraged Loan 100); 5.02% (U.S. High Yield Constrained); 3.35% (22+ Yr. Municipal Securities); 4.31% (Fixed Rate Preferred Securities); 1.42% (7-10 Yr. U.S. Treasury); 1.84% (Freddie Mac Mortgage); 2.41% (U.S. Corporate); and 1.90% (Global Corporate), according to Bloomberg.
6. As indicated in the chart, the decline in the ICE BofA 7-10 Year U.S. Treasury Index from \$114.30 to \$100.74 was clearly the most dramatic move between 9/25/20 and 12/15/21.
7. The trailing 12-month Consumer Price Index (CPI) rate stood at 6.8% in November 2021, according to the Bureau of Labor Statistics. That is up significantly from 1.4% in December 2020 and well above its 2.3% average rate over the past 30 years.
8. Fed Chairman Jerome Powell has changed his outlook on inflation from characterizing it as transitory to more persistent in nature. In an effort to keep inflation from becoming entrenched, the Fed announced it will expedite the tapering of its bond buying program. It also foresees hiking short-term interest rates three times in 2022. Stay tuned!

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 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 BofA 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 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 BofA 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 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 Global Corporate Index tracks the performance of investment grade corporate debt publicly issued in the major domestic and Eurobond markets. The ICE BofA Freddie Mac Mortgage Backed Securities Index is a subset of the ICE BofA U.S. Mortgage Backed Securities Index including all generics representing pools issued by Freddie Mac.

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