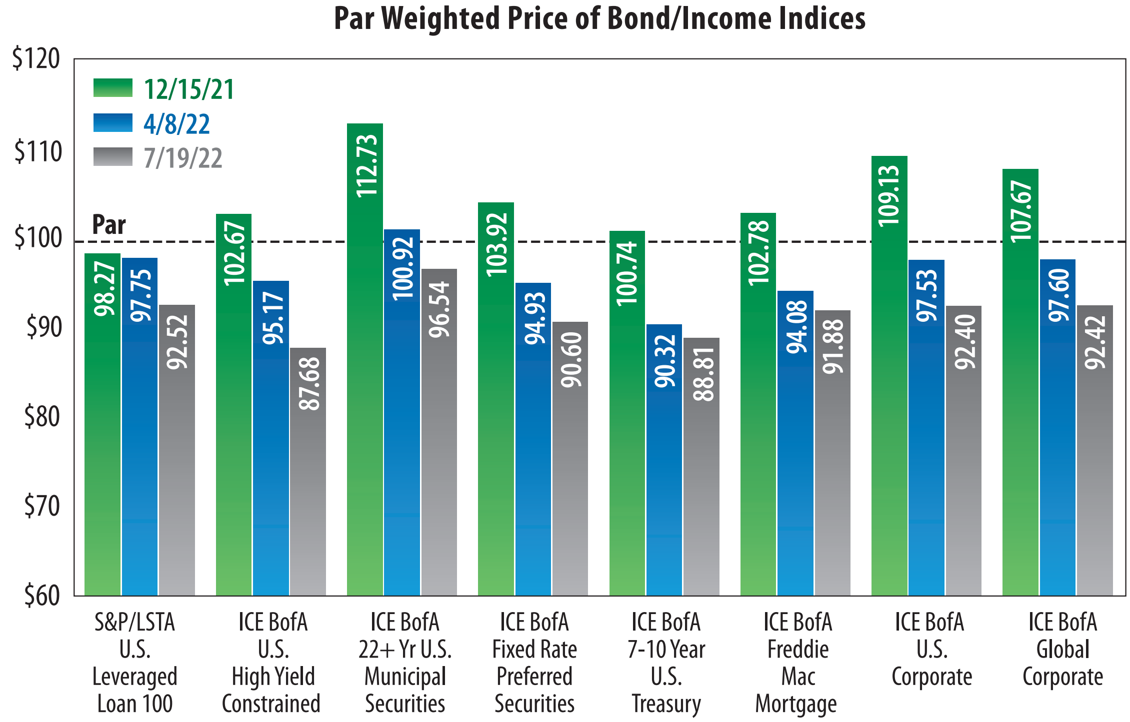
A Snapshot Of Bond Valuations



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 are from prior posts.
2. The Federal Reserve's ("Fed") federal funds target rate (upper bound) stood at 1.75% on 7/19/22, according to data from the Fed. The Fed has signaled it will likely raise the benchmark lending rate by 75 basis points at its next meeting on July 27, which would take it to 2.50%. The Fed has also left the door open for a potential 100 basis point hike. We'll see.
3. For the 30-year period ended 7/19/22, the federal funds target rate (upper bound) averaged 2.46%, in line with the 2.50% figure expected on 7/27, 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) stood at 3.03% on 7/19/22, up from 1.46% on 12/15/21, according to Bloomberg. Its average yield was 3.94% for the 30-year period ended 7/19/22.
5. For comparative purposes, here were the closing yields for the indices featured in the chart as of 7/19/22: 7.25% (U.S. Leveraged Loan 100); 8.39% (U.S. High Yield Constrained); 4.33% (22+ Yr. Municipal Securities); 6.25% (Fixed Rate Preferred Securities); 3.03% (7-10 Yr. U.S. Treasury); 3.62% (Freddie Mac Mortgage); 4.74% (U.S. Corporate); and 4.25% (Global Corporate), according to Bloomberg.
6. All of the major debt categories in the chart are down significantly since 12/15/21.
7. The trailing 12-month Consumer Price Index (CPI) rate stood at 9.1% in June 2022, according to the Bureau of Labor Statistics. That is up from its 5.4% reading in June 2021 and significantly higher than its 2.4% average rate over the past 30 years.
8. The yield on the 10-year T-note has topped the 3.00% mark on two other occasions (2013 & 2018) over the past decade, but not for long. Will this time be different? Stay tuned!