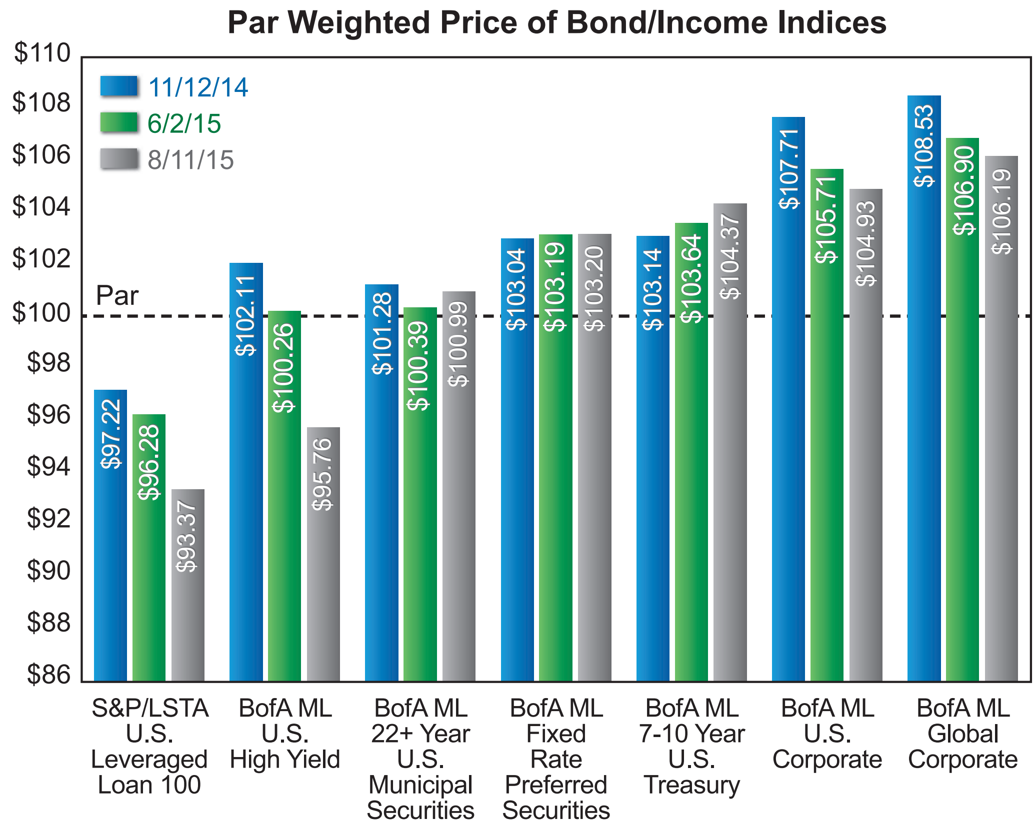
Snapshot Of Bond Valuations



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

View from the Observation Deck

1. Today's blog post is an update of a previous post. Investors can compare today's snapshot to the one we did on 6/4/15 (click here to view).
2. Investors are likely pondering how they might cope with a potential hike in the federal funds rate in September or December, in our opinion.
3. While some may be wondering if the strength in the U.S. dollar and concerns over the direction of the economy and equity markets in China could push off a rate hike into 2016, we do not think so.
4. Brian Wesbury, Chief Economist at First Trust Advisors L.P., believes that the Fed is likely to initiate a rate hike in September based on the economic progress being made in the U.S.
5. Perhaps the most notable change in the bond market since 11/12/14 has been the decline in speculative-grade bond prices, which includes high yield corporate bonds and leveraged loans (senior loans).
6. The majority of that selling pressure is primarily tied to the weakness in the energy sector and metals/mining, according to *Barron's*, but may now be spreading to other sectors.

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 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 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 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 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 BofA Merrill Lynch U.S. High Yield Index tracks the performance of U.S. dollar denominated below investment grade corporate debt publicly issued in the U.S. domestic market. The 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 BofA Merrill Lynch Global Corporate Index tracks the performance of investment grade corporate debt publicly issued in the major domestic and Eurobond markets.