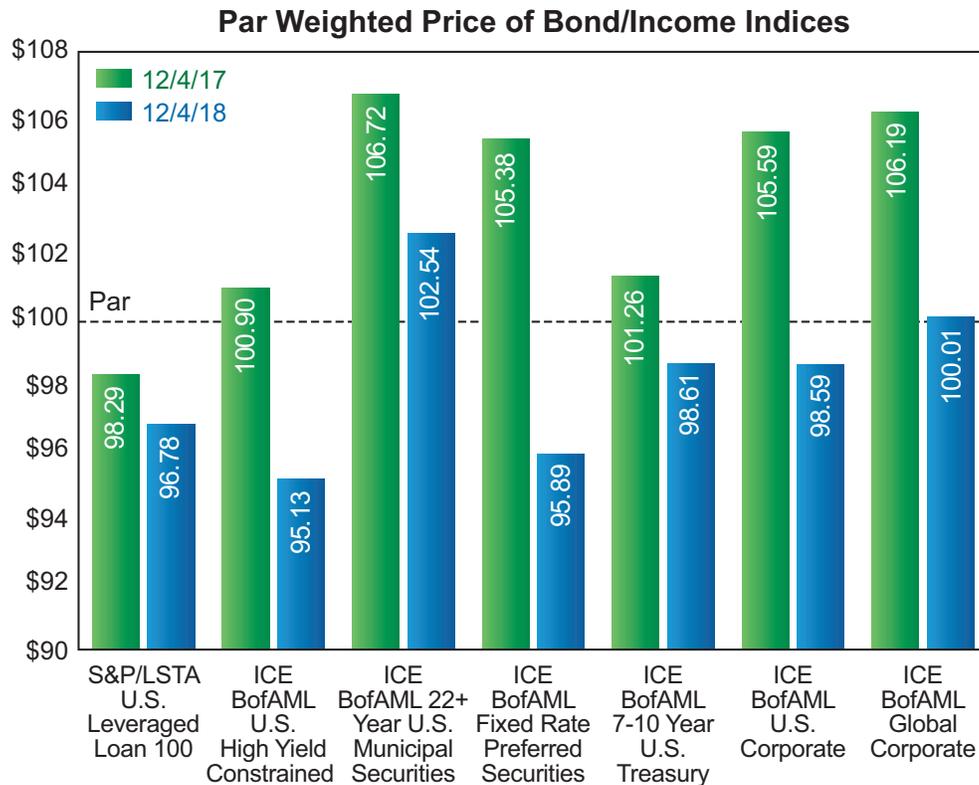


A Snapshot of Bond Valuations



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 2.37% at the close of 12/4/17 to 2.91% on 12/4/18, or an increase of 54 basis points (bps), according to Bloomberg. The closing low for the period was 2.34% (12/6/17), 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 12/4/17, the Federal Reserve ("Fed") has increased the federal funds target rate (upper bound) 100 bps, from 1.25% to 2.25%. We believe the Fed will likely raise the rate another 25 bps in December 2018.
4. For the 30-year period ended 12/4/18, the federal funds target rate (upper bound) averaged 3.19%, according to Bloomberg. On a historical basis, the Fed's current monetary policy is not tight.
5. All bond indices in the chart reflect a downward adjustment in pricing year-over-year.
6. The combination of rising interest rates and trade tariffs have some pundits concerned that global economic growth could slow, and this outlook is likely already impacting bond prices, in our opinion. We intend to monitor these events closely.

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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