A Snapshot of Bond Valuations

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 2.25% at the close of 5/29/17 to 2.78% on 5/29/18, or an increase of 53 basis points (bps), according to Bloomberg. The closing low for the period was 2.04% (9/7/17), while the closing high was 3.11% (5/17/18). 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 5/29/17, the Federal Reserve (the “Fed”) has increased the federal funds target rate (upper bound) 75 bps, from 1.00% to 1.75%, according to Bloomberg. For the 30-year period ended 5/29/18, the federal funds target rate (upper bound) averaged 3.29%, nearly double where it stands today.
4. Most economists expect the Fed to initiate two to three more 25 basis point rate hikes by year-end, according to The Wall Street Journal. Investors see a 91.3% probability of a rate increase at the Fed’s next policy meeting in June (12th-13th), according to the CME Group.
5. Longer maturity municipal bonds was the only index in the chart that posted a price gain for the 12-month period ended 5/29/18.