RAYMOND JAMES

FOURTH QUARTER 2021

Fixed Income Quarterly

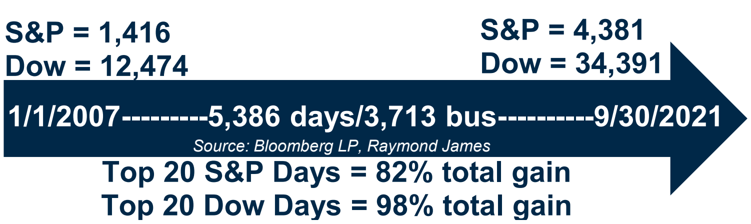
Market perspectives from the Fixed Income Solutions group

"It's About *Time* in the Market, Not About *Timing* the Market"

Homeowners don't think twice about insuring the significant amount of net worth in their homes, thinking of it as a responsibility or obligation to defend against a catastrophic incident. No one ever wants to collect on this insurance thereby being amiable when receiving absolutely nothing other than peace of mind on coverage.

What if you were offered protection against a catastrophic financial event but also offered known returns and known cash flows? I don't know of any homeowner's insurance presenting this, but in the investment world, you can obtain a known income and cash flow while defending your investment portfolio. This is what investing in individual bonds can offer. The only stipulation is that your return relies on current market rates to determine current market returns.

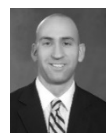
Too often we can lose sight of the primary purpose of fixed income in our overall investment asset allocation. Media hype can pressure some investors to seek high returns in a low rate environment, regardless of, or altogether ignoring, additional risks. The irony of taking on greater risk with an asset class often designated to mitigating risk and loss of principal should not be lost. Fixed income may not create capital growth in this market environment but it can protect your wealth.



Between January 2007 and September 2021, the DOW grew 276% moving from 12,474 to 34,391. If you could hand-pick just the best 20 days out of 3,713 business days, you could capture 98% of the entire 14 year growth. The remaining nearly 2,000 positive return days versus nearly 1,700 negative return days merely cancel each other out. The point is we can't really time the stock or bond market. Instead, it would be better to determine the appropriate mix of growth assets and wealth preserving assets and allow time to do its thing.

FIXED INCOME QUARTERLY CONTRIBUTING STRATEGISTS


DOUG DRABIK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ROB TAYLOE


ROB TRIBOLET

IN THIS REPORT

FOMC November Highlights

The Fed taper has finally arrived, although more like a lamb than a lion. The Fed will be slowing the pace of their open market purchases by $15 billion a month. This keeps the Fed's policy accommodative but begins to take the foot off of full throttle. Investors have been waiting for some time for taper clarity and November's Federal Open Market Committee (FOMC) meeting brought it. The following highlights are pulled from their meeting minutes. Many of the strategy comments are expounded upon in various articles within this quarter's report.

Fed Meeting - November 2-3, 2021

- Inflation is elevated but is expected to be transitory. Fed Chair Powell noted that transitory inflation could last through the 3rd quarter of 2022.
- FOMC has decided to keep the target range for the Federal Funds rate at 0.00% to 0.25%.
- The Fed will maintain this target range until labor market conditions have reached levels consistent with the Committee's assessment of maximum employment -- and inflation has risen to 2.00% and continues to moderately exceed 2.00% for some time.
- The Fed will begin reducing the monthly net asset purchases by $15bn/month ($10bn in Treasuries, $5bn in agency mortgage-backed securities).
- The Committee will continue with this monthly pace of reductions going forward but will reconsider accelerating or decelerating the quantity *(at the December meeting)* if the adjustment is warranted based on economic changes.

Comments

- At the combined $15bn per month reduction pace, the asset buying program would end by June 2022. The asset purchase program was buying $120bn per month in the open market *($80bn in Treasuries and $40bn in mortgage backed securities)*.
- Fed Chairman, Jerome Powell, left the door open for the taper timeframe to be altered, "Our policy will continue to adapt as is appropriate."
- It is important to keep in mind that even if the bond buying program concludes, the Fed's balance sheet still carries over $8.5 trillion as of November 2021.
- Bloomberg's World Interest Rate Probability *(market projection)*, reflects the Fed Funds futures are trading at a pace that suggests the Fed might hike interest rates by September 2022. As with any modeled projection, it merely suggests reasonable trading conditions and may or may not come to fruition pending interim changing circumstances.
- The Fed Dot Plot graph *(FOMC Member projections),* reveals that in 2022 three members have an implied Fed Funds target rate of 0.625%, six are at 0.375% and nine at 0.125%. Any actual adjustment does not necessarily come to an impartial committee vote but often reflects the wishes of the Fed chairperson.
- The Raymond James Investment Strategy committee considers the likelihood that the Fed will not hike interest rates until 2023.

Our Focus on Inflation

All one needs to do is turn on any news outlet or pick up any news publication to deduce that we are currently obsessed with inflation conversations, opinions and considerations. We have seemingly become very reactionary people over the last several years, perhaps due to the massive amount of media exposure. One can surmise that the media uses fear or emotional tactics to compete for viewers and/or to sell tickets to their show.

Are prices higher? Are we experiencing inflation? The quick answer is yes. Short term consequences of the pandemic, corporate shutdowns, labor shifts and supply-chain disruptions contributed to supply shortages felt most noticeably after the first improving pandemic reports just when consumers were ready to get back to spending *(which is what drives our economy)*. The problem was labor shifts and supply kinks created deficiencies in the process.

Fed Chairman Powell remarked during the November FOMC meeting that current inflation is not from typical causes and can't necessarily be dealt with in the same manner. An interesting hypothetical: if global central banks were to raise short term rates 200bp today, would it correct the current supply-chain issue? Of course not. The reality Powell expressed is that inflation may stay elevated through the 3rd quarter of next year.

This is not the end of the world nor is it cause to necessarily change long term strategies. There is no data to suggest that hyperinflation is around the corner. Remember that disinflation has been a greater concern for years. Running long term inflation between 2% and 3% is considered a healthy level by many experts. Note that both the Fed and pool of economists have forward forecasts well within this range.

PCE (core) Forecasts	2021	2022	2023
Fed	3.2	2.3	2.2
Economists	3.2	2.8	2.2

sources: Bloomberg LP, Raymond James

A higher cost for milk and bread is bleeding our wallets right now. The knee-jerk response is to assume it will be an ongoing penalty or burden to our lifestyle. The likelihood is that some products and services will remain at higher prices but it is also likely they will not continue to rise at the current pace. We have been spoiled by our increased net worth and corresponding improved lifestyle for decades. Inflation has stayed well below salary increases, housing appreciation and investment wealth growth for a long time. Some inflation is part of a long overdue economic cycle adjustment. When the economy settles back, some prices may be slightly higher but they are not likely to continue elevating on an ongoing pace. Then housing prices, salaries and investment growth should once again begin to outperform negative inflationary effects.

	Inflation PCE (core)	Avg. Hourly Earnings	Home Price Index YOY	S&P Index TR	10Yr Treasury Avg Yld
Average	1.69	2.72	2.20	10.38	2.55

January 2007 to September 2021; Sources: Bloomberg LP, Raymond James

U.S. Population (thousands)		
Age	2010	2021
<40yr	166,171	173,620
40-54	65,890	61,751
55-69	49,303	60,844
>70yr	27,958	37,178
	309,322	333,393
		* estimated
Net Worth ($millions)		
<40yr	2,999,657	7,817,985
40-54	18,145,845	31,887,397
55-69	27,894,153	55,016,703
>70yr	14,325,251	34,735,185
	63,364,906	129,457,270

sources: Census Bureau, Federal Reserve, Raymond James

Your Questions, Our Answers

The last quarter has created market uncertainty and with it, many investor questions. Here are some concise responses to some of the more recurrent inquiries to the fixed income strategy team:

Is inflation transitory or permanent? This topic is rocking investor behavior. Be careful. Natural resources, technology and essential capacity have not declined. If anything, they are better. The world shutdown created labor kinks which initiated supply-chain strains. Although this has caused consumers to be impatient, none of these issues indicate permanent trends or the likelihood of hyperinflation. Domestically we have struggled more with disinflation than inflation. If we realize the Fed's and economists' predictions of 2.2% to 2.4% inflation over the next couple of years, the economy ends up in what most consider a healthy level of inflation. Technology and inventiveness will continue to combat inflation.

How do we gauge Fed tapering? This question was answered at the November 3rd FOMC meeting when the Fed announced tapering would begin in November. The $120bn/month pace is being reduced by $15bn/month. Fed Chair Powell left a window open indicating that after December, they will reassess the taper and determine if the economy suggests accelerating or decelerating this action.

When will the Fed start raising interest rates? The Fed has been very deliberate about separating tapering from rate hikes. All of the major global central banks have kept interest rates unchanged. Fed Funds futures are trading in a range that suggests one, if not two Fed hikes in 2022 although Chair Powell and the FOMC are giving no such indication. We still think it is likely that hikes will begin in 2023.

Should we be concerned about the nation's growing debt? This topic could consume 25 or more pages of considerations, so please allow for the succinct nature of these comments. It is difficult to separate thinking like a household budget when referring to the government's budget. Households require income to support expenses. Governments with fiat money (government-issued currency not backed by a commodity) provide central banks greater control over their balance sheet and the economy because they control the amount of printed money. Through quantitative easing (QE) the Fed has printed trillions of dollars and it has sparked inflation, not in terms of traditional increases in goods and services but in assets. Both the stock and bond markets have experienced inflated prices since 2008 when QE began. This high debt in itself incentivizes low interest rates. The long term outlook involves whether Gross Domestic Production (GDP) along with healthy national employment will absorb this debt and healthy businesses grow their bottom line.

Should I buy TIPS to protect against future inflation? Currently, TIPS are trading with negative yields suggesting investors are paying a substantial price for this protection. A laddered strategy may provide a more efficient way to guard against potential inflation. Regular cash flow accrual *(resulting from the layered investment maturities)* can periodically be reinvested into the market. If interest rates rise, the intermittent cash flow is invested into higher rates along the way.

Should I sit on cash and wait for interest rates to rise? "It is about *time* in the market, not *timing* the market." If a five year investment yields 2.00%, a decision to wait one year to invest carries the consequence of needing a 25% increase or a yield of 2.50% in order to yield the same return over the same period of time. Waiting two years requires a 68% increase or yield of 3.35%. Waiting for higher interest rates to invest ironically can result in worsening outcomes. *(please see Cost of Waiting on page 8 for more detailed article)*

Is China about to take over world dominance? Back in the 1980's, we heard similar suspicions that Japan was about to move into economic supremacy. Here are some facts to consider: The U.S., with 4.2% of the world's population, produces 26.8% of the world's GDP ($22.7trl of $84.7trl). China produces 19.6% of the world's GDP with 17.9% of the world's population. China is 27% behind and currently struggling with leverage and housing issues such as the Evergrande crisis. The U.S. also boasts twice the natural resources as China *(combined resources of fresh water, coal, natural gas, timber, gold, copper, etc.)*

How much fixed income do I need? This truly depends on individual situations and can be tailored to individual needs. Considerations include: current and future earning potential, years to retirement, accumulated wealth, personal needs and personal lifestyle. Fixed income may not create much wealth in this low interest rate environment but it can help protect wealth. The closer an individual gets to achieving their personal goals, the higher the likelihood for increased fixed income holdings.

Should I use a money manager, managed funds or individual bonds? When fixed income's primary objective is to protect principal, having a stated maturity provides a distinguishing protective characteristic versus funds which do not have stated maturities. Regardless of changes in inflation, interest rates or any economic occurrence, only default or early redemption can alter the cash flow, income or the date face value is returned when holding an individual bond. With interest rates near historic lows, fees alone on managed funds are a huge consideration as they can possibly eat up a majority of the return.

Why should I consider fixed income with yields where they are? Fixed income in this environment will not make you rich, but bonds in any rate environment can help protect your wealth. Simply, it is not about reaching or substituting for higher yields and momentary increased returns. It is about principal protection. That being said, the market is not paying investors for taking on duration risk or high yield credit risk. The 4 to 10 year segment of the curve is providing the greatest incremental yield pick up for added duration.

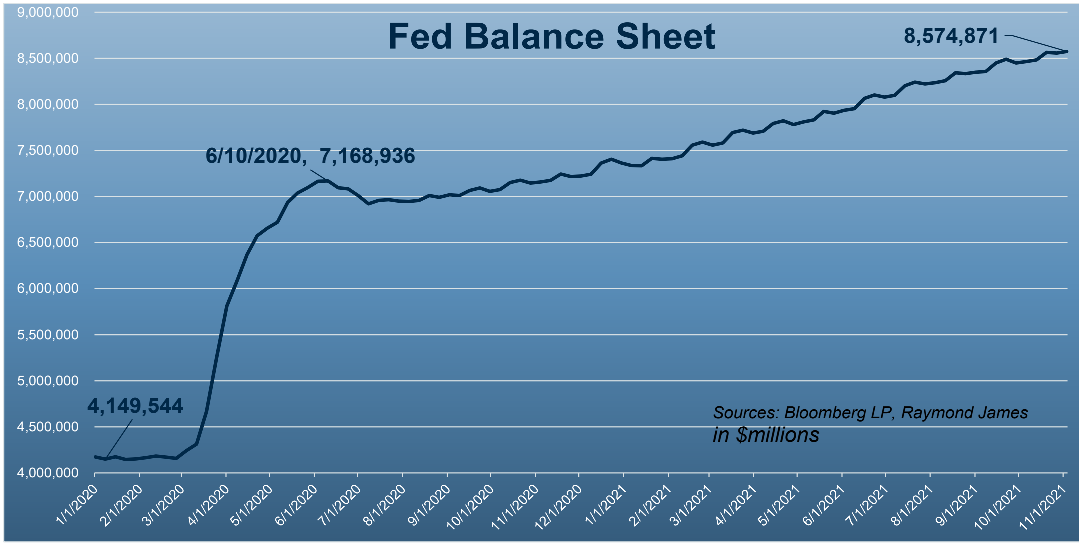
What can you say about the state of the municipal sector? Municipal bonds are generally very high in credit quality. Although the yield curve directs us to the belly of the curve (4 to 10 year), municipal call structures justify the use of higher coupons (>3.00%) and longer maturities (10 to 15 year) benefitting with higher yields, greater cash flow and durations that fall into the belly of the curve.

What can you say about the state of the corporate sector? It has been said that under current market conditions, investors are not being paid for duration risk or credit risk. To clarify, high yield (junk) securities are at historically narrow spreads, thus not compensating investors for credit risk. However, within the high quality investment grade space, there are yield differences worthy of consideration. Corporate BBB rated paper is providing significant spread pickup to A rated counterparts thus providing creditable reward within the belly (4 to 10 year) of the curve.

Is there a cash alternative? There are exceptions to all assertions but generally speaking, sitting on cash is typically an unproductive asset. There are varying degrees of desired risk which reiterates the importance and superiority of being able to customize fixed income selections. For example, even 6bp on a 6-month T-Bill or 14bp on a 1-year Treasury outperform 0.00% netted in cash.

Creative coupon selection may create needed cash flow while utilizing much higher duration and higher yielding assets. Premium coupons provide periodic income payments as well as principal return; therefore, a well-designed cash flow intense strategy may be used as a potential option to generate liquidity.

End of Year Portfolio Allocation Adjustments

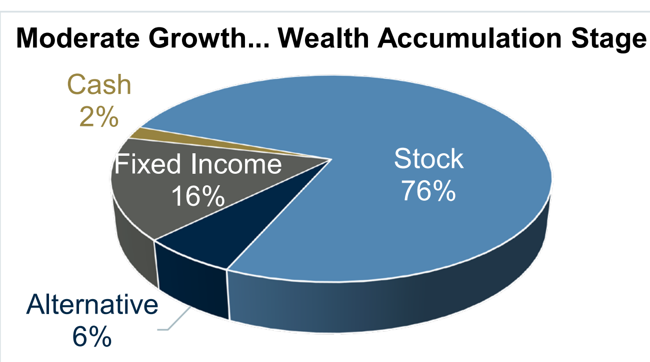


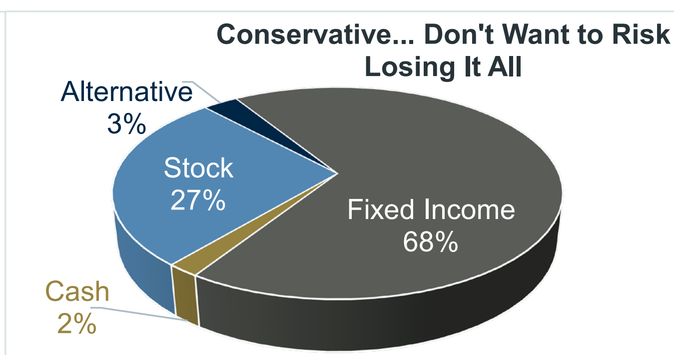
With the end of the year around the corner, it is a great time to look at portfolios to make sure they are still aligned with appropriate wants and needs. Stocks have had an incredible run in 2021. The S&P 500 Index began the year at 3,765 escalating to 4,605 *(a 22.6% price increase)* by October's end. The Dow Jones Industrial Index began the year at 30,606 and ended October at 35,819 *(a 17% price increase).* The Nasdaq Composite Index boasted similar gains surging from January's 12,888 to October's 15,498 *(a 20.3% price increase)*. This substantial equity run has given rise to portfolios overweight in equities.

The equity surge can be attributed to several factors. One of these factors has been Fed intervention. The Fed has been pumping dollars into the system through Quantitative Easing initially in 2008 and then accelerated last year after the COVID pandemic. The Fed balance sheet escalated from $4.25 trillion to $8.55 trillion since last year, including around $1.2 trillion injected during the first ten months of this year.

The Fed has announced that tapering their open market purchases begins in November by $15 billion per month. The preliminary plan is to cut these purchases by the same amount each month. Chairman Powell did leave the door open to reassess the taper after the first two months evaluating whether the economy indicates the need to accelerate or decelerate the monthly taper. This policy announcement is likely to slow the Fed's balance sheet growth, creating a potential after-effect drop in asset prices.

As we approach the end of the year, it is a great time to look at client portfolios to make sure they are positioned properly with appropriate asset allocations. With equities up 20% on the year, many portfolio allocations are out of whack. Ask your advisor for a review of your holdings to gauge the most suitable balance between growth and wealth preserving assets.





Source: Raymond James Asset Allocation Models (October, 2021)

When Will Interest Rates Rise?

Zero Interest Rate Policy (ZIRP) signifies the U.S. central bank's (Fed's) position on domestic interest rates. General consensus seems that at some point during the next year, the FOMC may exit ZIRP and raise the Fed Funds rate from its current range of 0.00-0.25%.

Put aside the debate over timing the policy change, and consider the effect that this action could have on the yield curve. Although the Fed can influence yields across the curve through various actions or policies, they directly control the overnight Fed Funds rate. The Fed's directive on Fed Funds does not necessarily signify increasing yields across the entire yield curve.

When the Fed raises rates, it can have a strong effect on the short-end of the Treasury curve, but the further you move out on the curve (longer maturities), the less effect this specific action has. The intermediate and long parts of the Treasury curve tend to take direction more from the global macroeconomic environment and less from what is happening with an overnight interest rate. When some investors hear that "the Fed is raising rates" they tend to assume that yields of all maturities are moving higher, but this is not necessarily the case.

To provide some historical perspective, the attached chart details what happened to yields across the curve the last time the FOMC exited a ZIRP environment. Following the 2008 Great Recession, ZIRP lasted for 7 years, when the FOMC didn't raise the Fed Funds rate until December 15, 2015. The historic data demonstrates that when the Fed hikes the Fed Funds rate, the entire rest of the Treasury yield curve doesn't necessarily follow.

Six months after the Fed raised the Fed Funds rate, the entire yield curve was lower by 17 to 69 basis points. A year later, yields were only marginally higher by 16 to 39 basis points. Fast forward to a full two years after liftoff, and the greatest impact was felt on the short end of the curve. The 1 and 2 year yields were higher by 102 and 86 basis points, respectively. Higher rates on the intermediate and long parts of the curve never materialized. The 10-year yield rose marginally by 7 basis points while the 30-year Treasury was actually lower by 32 basis points.

The Fed's exit from ZIRP does not mandate equal rate moves across the curve and could, as it did in 2015, result in a much more muted impact on the intermediate and long end of the curve. It may not be prudent to determine long term portfolio strategy based on timing Fed policy and then assuming parallel rate shifts. Time in the market versus timing the market can often optimize long term returns.

		Yield Change (in basis points) after…			
Treasury Maturity	Yield at "Liftoff"	6 months	12 months	18 months	24 months
1 Year	0.69%	-17	+22	+52	+102
2 Year	0.98%	-29	+31	+37	+86
5 Year	1.71%	-61	+39	+5	+45
10 Year	2.28%	-68	+32	-12	+7
30 Year	3.00%	-57	+16	-22	-32

Sources: Bloomberg LP, Raymond James

Cost of Waiting

Have you ever thought the grass was greener on the other side? There are investors who think tomorrow's opportunities are better than today's. While that may or may not be true, no one really knows what next week, next month or next year will look like. If you are an investor with cash sitting on the sideline waiting for higher yields (greener grass), understanding the cost of waiting may highlight a risk you probably don't even know you're taking.

Consider a simple scenario: a 5-year time horizon in A-rated corporate bonds. The chart below shows the average yield an investor would earn over the next 5 years under a static rate environment. Although we desire higher future yields, it is also possible that rates may stay the same or move lower. Very few people forecasted the 40+ year general interest rate decline actually experienced. Accurate rate forecasting and market timing are very difficult if not impossible and can greatly alter long term strategy results.

Average Yield Earned If Yields Stay The Same

Buy a 5-Year Bond Today	Wait 1 Year & Buy 4 Year Bond	Wait 2 Years & Buy 3 Year Bond	Wait 3 Years & Buy 2 Year Bond	Wait 4 Years & Buy 1 Year Bond
1.53%	1.05%	0.63%	0.30%	0.12%

These numbers highlight just how much returns could suffer by waiting on the sidelines. For example, by waiting just one year to invest and purchasing a 4-year bond one year from now instead of a 5-year bond today, the average yield over the 5 year timeframe falls by 31% *(1.53% down to 1.05%).* The missed opportunity can be more exaggerated by waiting longer.

The next chart summarizes the required bond yield increase in order for delayed investments to match today's 5 year bond purchase. Even correctly predicting an interest rate rise necessitates understanding how much yields must increase to make-up for the "lost time", enduring minuscule cash earnings. For example, waiting 2 years to purchase a 3-year bond, requires the 3-year bond to increase 151bp from where it is today (from 1.00% up to 2.51%) for an investor to simply break even over the initial 5-year timeframe. An investor will outperform only if a 3-year A-rated corporate bond yields over 2.51% for the 3 years remaining in the timeframe. To provide some context, the average yield for 3-year, A-rated corporate bonds over the past 10 years is 1.65%.

How Much Do Yields Need to Rise If You…

	Wait 1 Year & Buy 4 Year Bond	Wait 2 Years & Buy 3 Year Bond	Wait 3 Years & Buy 2 Year Bond	Wait 4 Years & Buy 1 Year Bond
In order to earn the same average yield as buying a 5 year bond today:	The 4 year bond must rise by 60 bp	The 3 year bond must rise by 151 bp	The 2 year bond must rise by 308 bp	The 1 year bond must rise by 703 bp

There is a very real cost of waiting… and it's not greener. Cash not only earns next to nothing by sitting on the sidelines, but the longer it sits, the steeper that hill is to climb to make up for the lost time. More often than not, time in the market trumps trying to time the market.

Sources: Bloomberg LP, Raymond James. Corporate Yields are from the Bloomberg 'USD US Corporate A+, A, A- BVAL Yield Curve' as of 11/1/21. Money market/cash yield used for illustrations is 0.05%.

Know What You Can Own

Most individual bonds provide investors with a few prominent features that are difficult to find in other product types, most notably: known cash flow for the life of the security, known income (yield) at the time of purchase, and a known date when principal will be returned. While most individual bonds provide these benefits to investors, there are many types of individual bonds, each having different features and applications within a portfolio. As an investor, sometimes it's difficult to know which product is most appropriate for a particular situation. Below are listed attributes that may illustrate how various products might work within a portfolio.

- ✓ Identify acceptable risk factors.
- ✓ Define desired income.
- ✓ Create required cash flow.
- ✓ Identify requisite redemption period.
- ✓ Create needed liquidity.
- ✓ Isolate personal biases.
- ✓ Use appropriate asset mix.
- ✓ Diversify.
- ✓ Rebalance when applicable.

	Product Attributes	*How does this fit?*	*Additional Considerations*
Treasury	Minimal credit risk. State and local tax exempt.	Can I benefit from the state tax exemption? Am I seeking safety and liquidity over maximizing yield?	Although credit risk is minimal, market risk increases with lengthening maturity.
Certificates of Deposit Brokered	FDIC insured. Ability to diversify with multiple issuers.	Do I need higher safety of principal? Typically more attractive yield versus Treasuries.	$250,000 per issuer per tax ID maximum size for insurance. Sales prior to maturity subject to interest rate risk and liquidity risk.
Municipal Tax-exempt	Tax exempt income with favorable long term credit standing.	The higher the tax bracket, the greater the tax benefit. The high credit quality is often viewed favorably.	Diversification can be attainable yet the liquidity is lesser versus other alternatives due to limited issue sizes. Subject to credit and interest rate risk.
Municipal Taxable	High quality, taxable alternative.	High credit quality alternative taxable investment. Investors in a lower tax bracket not benefitting from tax-exemption but still seeking the high quality and diversification offered by municipal bonds.	Diversification can be attainable yet the liquidity is lesser versus other alternatives due to limited issue sizes. Subject to credit and interest rate risk.
Investment Grade Corporates	High quality, relatively good liquidity and competitive yields.	The breadth of the corporate market can allow for extensive diversification from credit ratings to multiple sectors. Generally liquid. Flexibility to create desired cash flow and income levels.	Wide range of issuers with various degrees of credit risk. Credit risks can fluctuate during holding period although this will not alter designated cash flow, income or redemption periods.
Preferred Securities	Appeal to investors seeking higher yields and/or high cash flow	This may benefit the portfolio as a higher yielding component with more risk versus true fixed income alternatives.	Preferred's are subordinate to debt securities but placed ahead of common stock in the corporate structure. Being perpetual or very long dated exposes them to increased price volatility. Not a hold-to-maturity alternative.

Fixed Income Strategy Resources

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Rob Tayloe - Fixed Income Strategist
Rob Tribolet – Fixed Income Strategist

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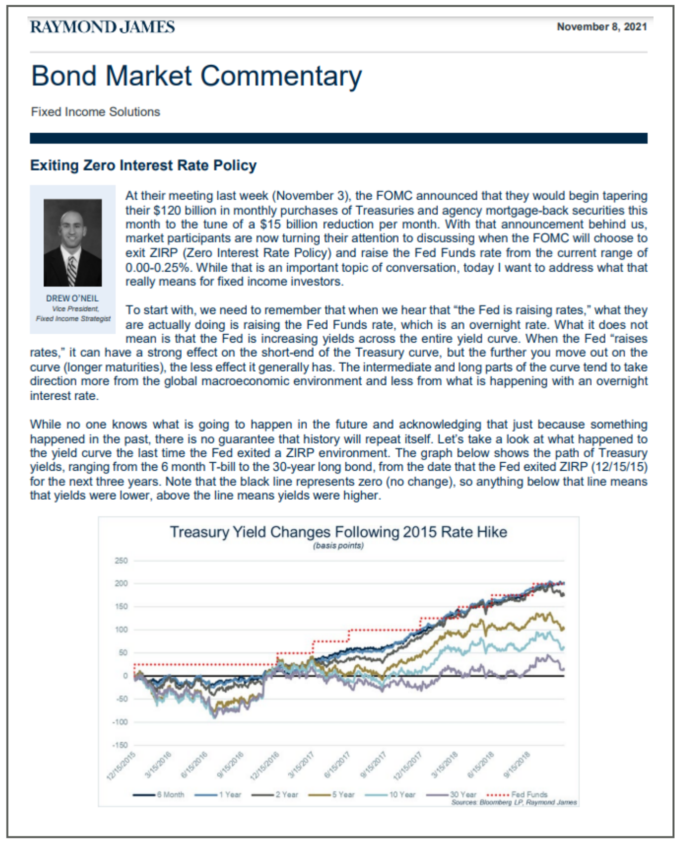
- Municipal Bond Investor Weekly (PDF)
- Fixed Income Quarterly (PDF)
- Weekly Index Monitor (PDF)
- Weekly Interest Rate Monitor (PDF)
- Fixed Income Introduction to ESG Investing

Investment Types/Expertise Include

- Treasuries/Agencies
- Brokered CDs
- Corporate bonds
- MBS/CMOs
- Tax-exempt municipals
- Taxable municipal bonds
- Preferred securities



RAYMOND JAMES November 8, 2021

Bond Market Commentary

Fixed Income Solutions

Exiting Zero Interest Rate Policy

DREW O'NEIL
Vice President, Fixed Income Strategist

At their meeting last week (November 3), the FOMC announced that they would begin tapering their $120 billion in monthly purchases of Treasuries and agency mortgage-back securities this month to the tune of a $15 billion reduction per month. With that announcement behind us, market participants are now turning their attention to discussing when the FOMC will choose to exit ZIRP (Zero Interest Rate Policy) and raise the Fed Funds rate from the current range of 0.00-0.25%. While that is an important topic of conversation, today I want to address what that really means for fixed income investors.

To start with, we need to remember that when we hear that "the Fed is raising rates," what they are actually doing is raising the Fed Funds rate, which is an overnight rate. What it does not mean is that the Fed is increasing yields across the entire yield curve. When the Fed "raises rates," it can have a strong effect on the short-end of the Treasury curve, but the further you move out on the curve (longer maturities), the less effect it generally has. The intermediate and long parts of the curve tend to take direction more from the global macroeconomic environment and less from what is happening with an overnight interest rate.

While no one knows what is going to happen in the future and acknowledging that just because something happened in the past, there is no guarantee that history will repeat itself. Let's take a look at what happened to the yield curve the last time the Fed exited a ZIRP environment. The graph below shows the path of Treasury yields, ranging from the 6 month T-bill to the 30-year long bond, from the date that the Fed exited ZIRP (12/15/15) for the next three years. Note that the black line represents zero (no change), so anything below that line means that yields were lower, above the line means yields were higher.

Duration is the measure of a bond's price sensitivity relative to interest rate fluctuations.

Diversification and strategic asset allocation do not ensure a profit or protect against a loss. Investments are subject to market risk, including possible loss of principal. The process of rebalancing may carry tax consequences.

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U.S. Treasury securities are guaranteed by the U.S. government and, if held to maturity, generally offer a fixed rate of return and guaranteed principal value. Fixed-income securities (or "bonds") are exposed to various risks including but not limited to credit (risk of default or principal and interest payments), market and liquidity, interest rate, reinvestment, legislative (changes to the tax code), and call risks. There is an inverse relationship between interest rate movements and fixed income prices. Generally, when interest rates rise, fixed income prices fall and when interest rates fall, fixed income prices generally rise. Short-term bonds with maturities of three years or less will generally have lower yields than long term bonds which are more susceptible to interest rate risk. Credit risk includes the creditworthiness of the issuer or insurer, and possible prepayments of principal and interest. Bonds may receive credit ratings from a number of agencies however, Standard & Poor's ratings range from AAA to D, with any bond with a rating BBB or higher considered to be investment grade. Individual investor's results will vary. A credit rating of a security is not a recommendation to buy, sell or hold securities and may be subject to review, revisions, suspension, reduction or withdrawal at any time by the assigning rating agency.

Prior to transacting in any security, please discuss the suitability, potential returns, and associated risks of the transactions(s) with your Raymond James Financial Advisor.

The value of fixed income securities fluctuates and investors may receive more or less than their original investments if sold prior to maturity. Bonds are subject to price change and availability. Investments in debt securities involve a variety of risks, including credit risk, interest rate risk, and liquidity risk. Investments in debt securities rated below investment grade (commonly referred to as "junk bonds") may be subject to greater levels of credit and liquidity risk than investments in investment grade securities. Investors who own fixed income securities should be aware of the relationship between interest rates and the price of those securities.

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