



Fixed Income Outlook: A Tempered Trend for Interest Rates

Call protection, credit and duration will continue to be important bond characteristics in 2017. Although interest rates may continue to trend up beyond the time it takes for economic data to reflect any stimulus events, the aforementioned headwinds should keep the trend modest. Investors should work with their wealth managers and always maintain a long-term perspective when making strategic asset allocation decisions. ■

Global central bank intervention and/or detachment will be a significant influence on the bond market in 2017

GLOBAL INTEREST RATE NONCONFORMITY

	2-YEAR RATE	5-YEAR RATE	10-YEAR RATE	30-YEAR RATE	SLOPE 30-2YR
UNITED STATES	1.246%	1.983%	2.490%	3.081%	184bp
UNITED KINGDOM	0.042%	0.470%	1.227%	1.855%	181bp
CANADA	0.770%	1.136%	1.719%	2.319%	155bp
FRANCE	-0.729%	-0.155%	0.647%	1.516%	225bp
GERMANY	-0.832%	-0.560%	0.178%	0.874%	171bp
SWITZERLAND	-1.181%	-0.748%	-0.257%	0.329%	151bp
JAPAN	-0.176%	-0.116%	0.029%	0.702%	88bp
HONG KONG	1.104%	1.625%	1.966%		

Source: Bloomberg, as of 12/29/2016

KEY TAKEAWAYS:

- The 2017 bond market stands to be much more unpredictable and altering relative to the stationary interest-rate environment of recent years.
- There are numerous headwinds tempering interest rate swings: global market influences such as interest-rate disparity, central bank immersion, demographics, U.S. dollar strength and corporate earnings.
- We are entering the year with a significant yield disparity among top economic powers that will continue to have mitigating influence on U.S. interest rates until these global rates close the gap.

All expressions of opinion reflect the judgment of Raymond James & Associates, Inc., and are subject to change. Asset allocation does not guarantee a profit nor protect against loss. 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 rise.

DISCLOSURE

Issued by Raymond James Investment Services Limited (Raymond James). The value of investments, and the income from them, can go down as well as up, and you may not recover the amount of your original investment. Past performance is not a reliable indicator of future results. Where an investment involves exposure to a foreign currency, changes in rates of exchange may cause the value of the investment, and the income from it, to go up or down. The taxation associated with a security depends on the individual's personal circumstances and may be subject to change.

The information contained in this document is for general consideration only and any opinion or forecast constitutes our judgment as at the date of issue and is subject to change without notice. You should not take, or refrain from taking, action based on its content and no part of this document should be relied upon or construed as any form of advice or personal recommendation. The research and analysis in this document have been procured, and may have been acted upon, by Raymond James and connected companies for their own purposes, and the results are being made available to you on this understanding. Neither Raymond James nor any connected company accepts responsibility for any direct or indirect or consequential loss suffered by you or any other person as a result of your acting, or deciding not to act, in reliance upon such research and analysis. If you are unsure or need clarity upon any of the information covered in this document please contact your wealth manager.

APPROVED FOR CLIENT USE

RAYMOND JAMES®

Head Office Broadwalk House 5 Appold Street London EC2A 2AG
www.RJIS.co.uk