

BondWave Trade Insights - Volume 7

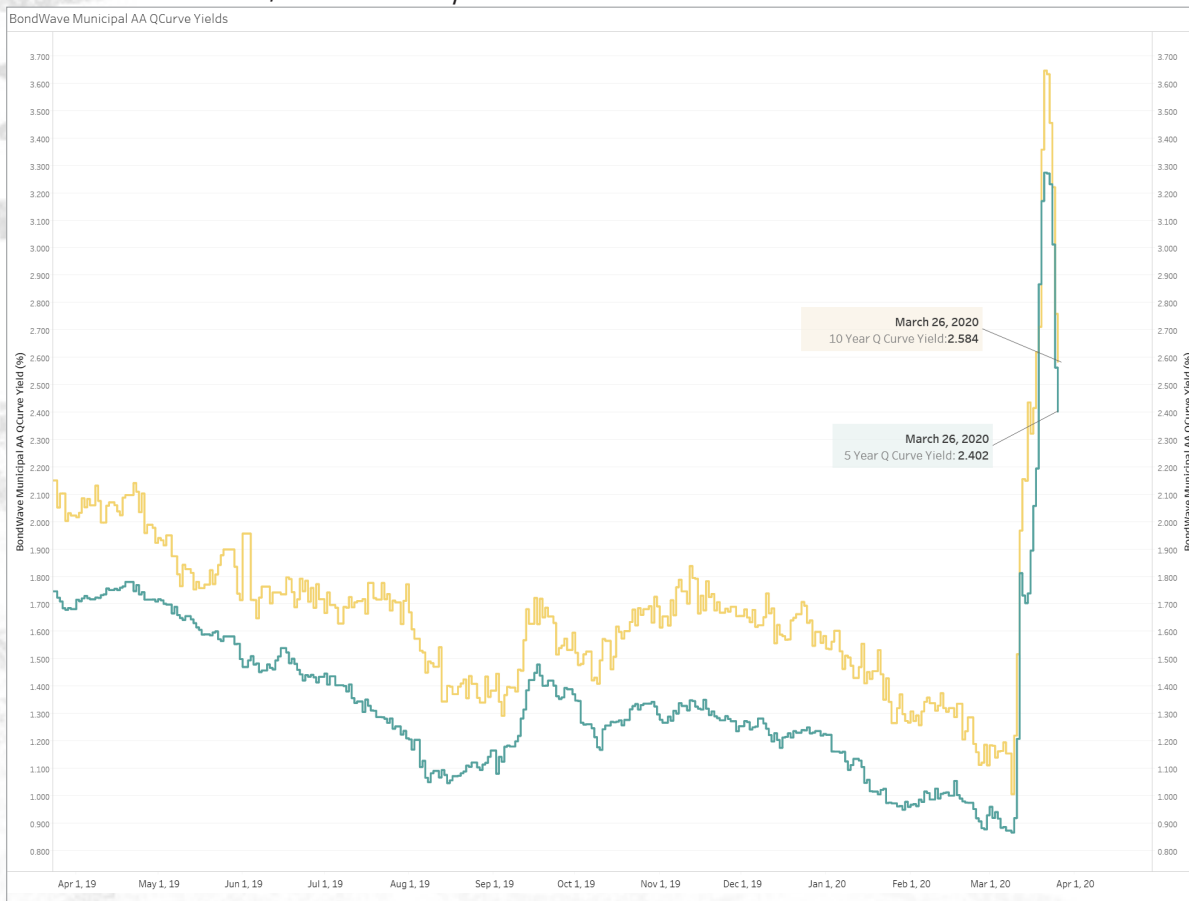
The Muni/Treasury Ratio Remains Inverted and Volatile - 3/27/2020 UPDATE

By Madhura Katre, Vice President, BondWave

Bonds continued to respond rapidly to the economic and trading activity since our last update on Muni/Treasury ratio on March 17th. BondWave AA Muni QCurve captures intraday trading activity of AA rated municipal securities representing more than 49% of trade volume on any given day.

MUNI CURVE FLATTENING

Even after the municipal market rally over the past two days, municipal bonds maintained the recent relative rise in yields, as it has been a remarkably volatile time this month. Municipal trading activity increased significantly, and the yield curve flattened rapidly with 5-year yields closely following 10-year yields. The difference between 10-year and 5-year yields dipped as low as 7 bps earlier this month, down from nearly 40 bps at the beginning of this year. After a two day rally, at the close of March 26th the 5-year BondWave AA QCurve Yield stood at 2.40%, while the 10-year was at 2.58%.



Source: BondWave

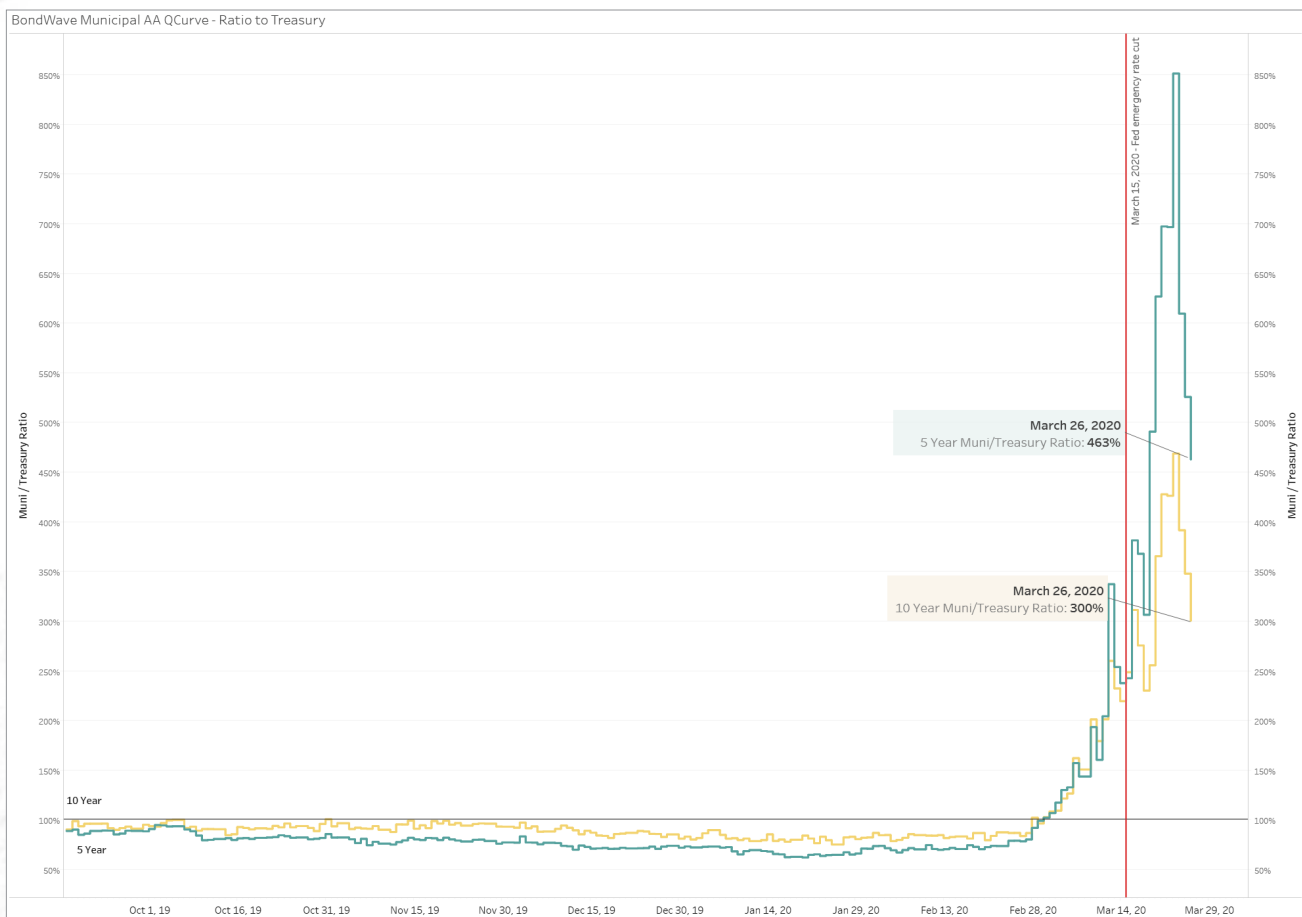


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MUNI/TREASURY YIELD RATIO INVERTS

As the market scrambles to find steady ground, the Muni/Treasury ratio continues to remain inverted and at extraordinarily high levels compared to its long-term average of approximately 90%. 5-year QCurve Yield steadily climbed up from 2.19% on March 18th to 3.23% on Monday, March 23rd, sending 5-year Muni/Treasury ratio soaring to nearly 850% that day. By the end of day on March 26th, the 5-year Muni/Treasury ratio declined to 463% (QCurve Yield at 2.40% and Treasury at 0.52%) and the 10-year Muni/Treasury ratio declined to 300% (QCurve Yield at 2.58% and Treasury at 0.86%).



Source: BondWave

To learn more, please visit www.bondwave.com,
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ABOUT BONDWAVE LLC

Founded in 2001, BondWave is a financial technology company specializing in fixed income solutions. We serve a wide range of customers, from small independent RIAs to some of the largest broker-dealers and custody providers in the financial services industry. Traders, portfolio and asset managers, advisors and compliance professionals use our tools to provide a superior fixed income experience to their clients while supporting critical compliance mandates.

Effi™, our Engine for Fixed Income, is the single platform through which we deliver all our solutions, including analytics and reporting, monitoring, trade opportunity mining, proposal generation, mark-up disclosure and oversight, best execution tools, and transaction cost analysis (TCA). BondWave leverages advanced data science and technologies to develop proprietary data that fuels our innovative solutions. We are agnostic to the liquidity pool or execution venue, so we can provide unbiased analytics that help our clients find the best bonds for their customers.