

February 04, 2021

FIXED INCOME WEBINAR

# NEW ISSUE FIXED INCOME CHOICES IN A CHALLENGING RATE ENVIRONMENT

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# Agenda

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Interest Rate and Bank Market Context

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New Issue Brokered CDs

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New Issue Corporate Notes

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Comparing Brokered CDs and Corporate Notes

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NEW! Mobile CD - Demo

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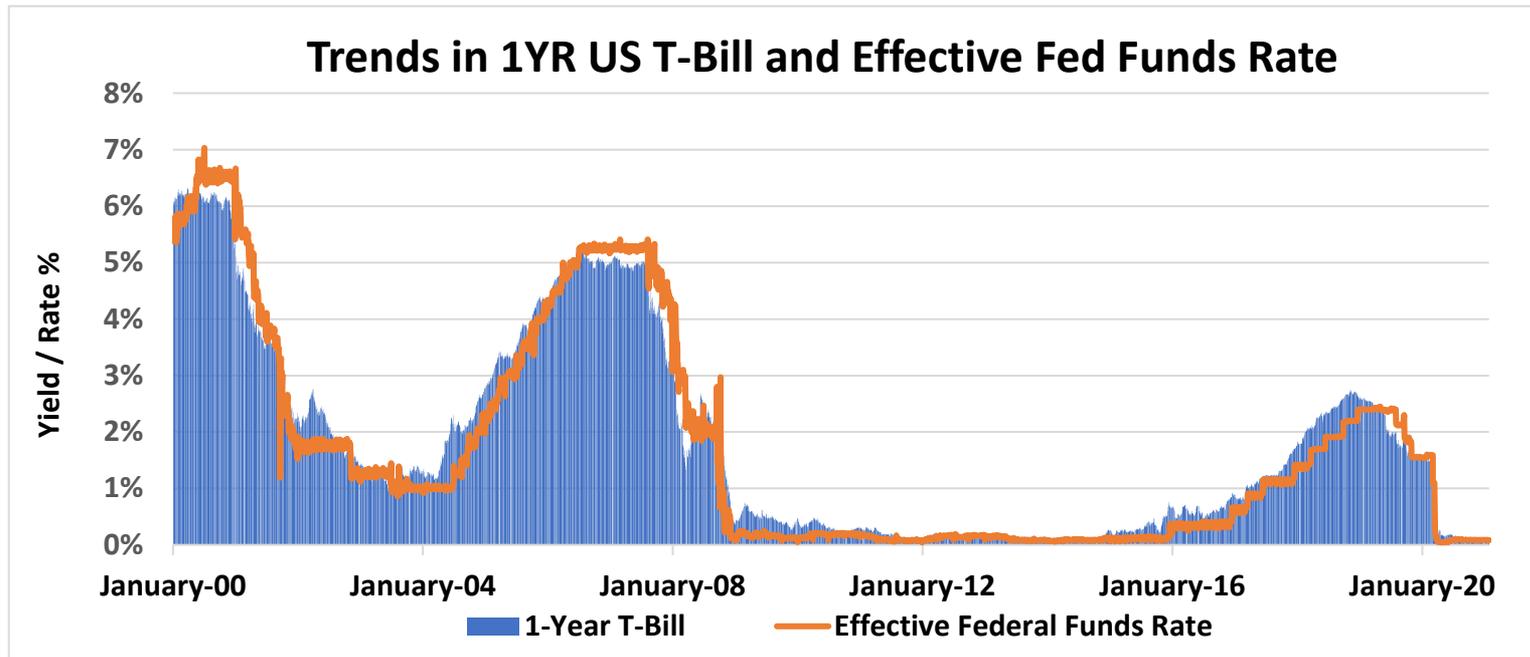
Summary and Next Steps



# Interest Rate and Bank Market Context

# Interest Rate Trends

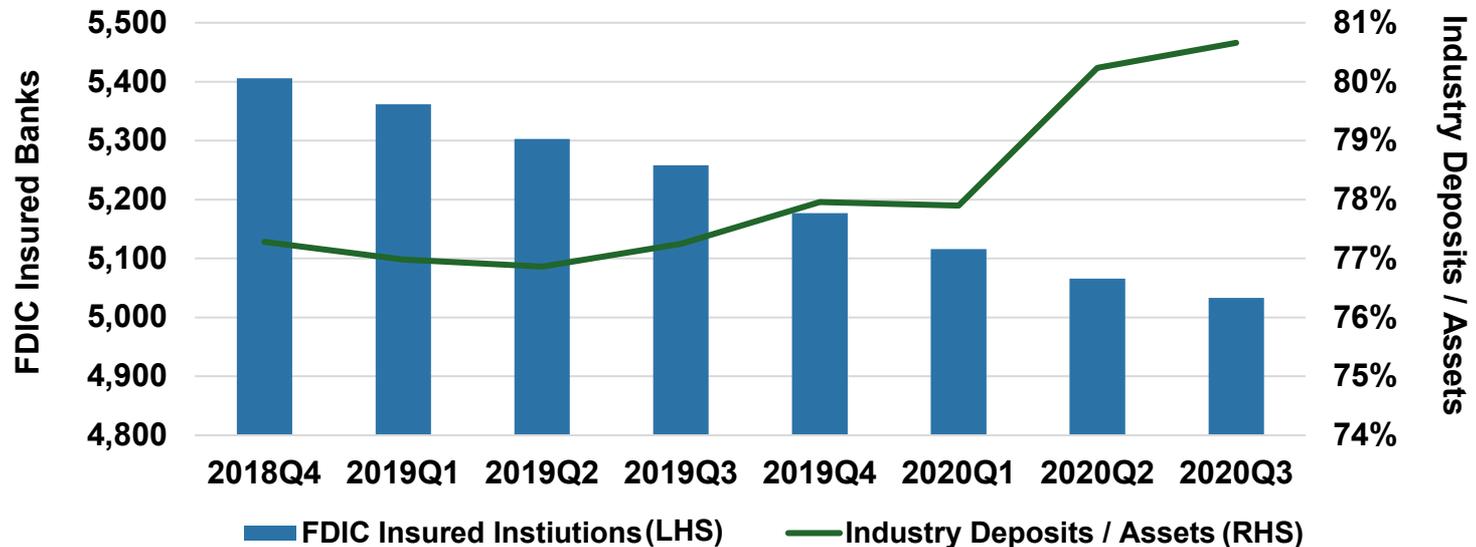
- After climbing gradually since 2015, front-end rates and yields have reverted to historic lows.
- While the Fed has signaled that they will keep rates low for quite some time on the front-end, it is still yet to be determined if the recent upward pressure observed in January on US Treasury yields will continue.



# Trends in Banking

- Deposit levels swelled over the past year as strong deposit growth from consumer savings was met by tempered lending from banks. This was fueled by a backdrop of economic uncertainty and unprecedented government stimulus programs.
- Consolidation also persisted as both regional and community banks have consistently looked to combat industry pressures by adding scale.

## FDIC Insured Banks and Deposit Trends



# Trends in Banking (Cont.)

- We may see M&A pick up steam in 2021 as increased transaction volume at the end of 2020 was highlighted by the two largest merger announcements of the year.

## **PNC Financial Services to Buy U.S. Arm of Spain's BBVA for \$11.6BN**

Deal is one of the largest bank tie-ups since the financial crisis

## **Huntington Bancshares Agrees to Merge With TCF Financial**

The all-stock deal would be the latest in a recent string of regional bank tie-ups

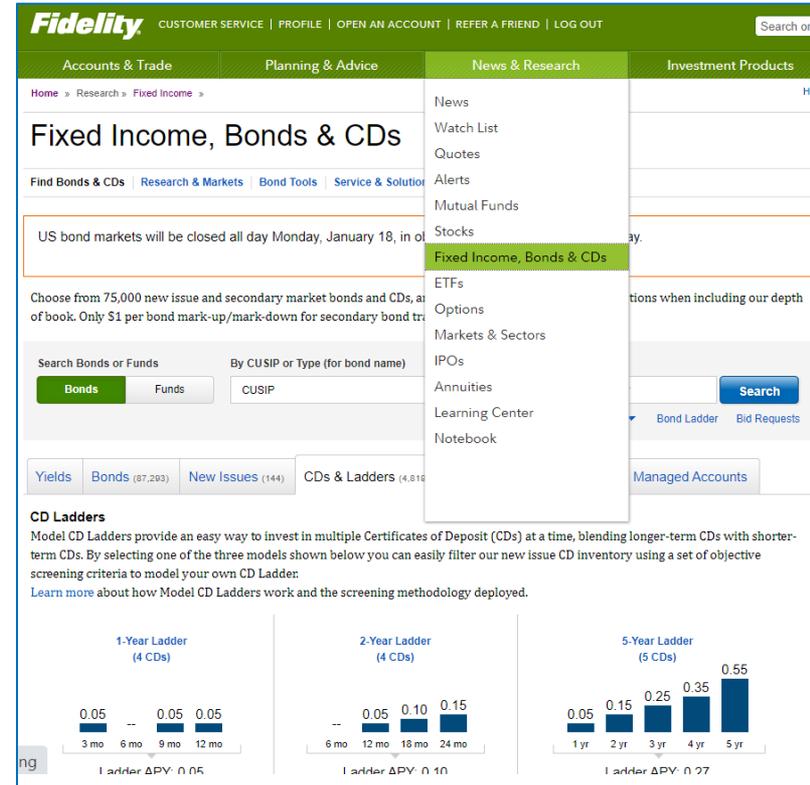
- Reduced rates, fewer issuers and balance sheets that have grown flush with deposits, are all factors that have presented some challenges in the Brokered CD market.



# New Issue Brokered CDs

# What are Brokered CDs and where to find them

- New issue CDs offered by Fidelity are eligible for the same FDIC insurance\* coverage as a bank CD
- Like a security, held in a brokerage account and can be traded
- New issues are issued at \$1,000 minimums and increments
- No charge if purchased (online or with a representative) as a new issue and held until maturity\*\*
- Fidelity aggregates brokered CDs that compete for deposits



\* For the purposes of FDIC insurance coverage limits, all depository assets of the account holder at the institution issuing the CD will generally be counted toward the aggregate limit (usually \$250,000) for each applicable category of account. FDIC insurance does not cover market losses. All the new-issue brokered CDs Fidelity offers are FDIC insured. In some cases, CDs may be purchased on the secondary market at a price that reflects a premium to their principal value. This premium is ineligible for FDIC insurance. For details on FDIC insurance limits, visit [FDIC.gov](https://www.fdic.gov).

\*\* Fidelity makes certain new issue products available without a separate transaction fee. Fidelity may receive compensation from issuers for participating in the offering as a selling group member and/or underwriter.

# Evaluating a Brokered CD

Select Action	Description	Coupon	Coupon Frequency	Maturity Date ▲	Price	Yield	Call Protected	Settlement Date	Quantity Available	Attributes	Period
<input type="checkbox"/> Buy	NORTHEAST BANK	0.050	AT MATURITY	03/29/2021	100.000	0.050	Yes	01/29/2021	4,155	CP SFP FDIC SO	2 MO

Issuers	Large Program Banks Regional Banks Community Banks
Credit Quality	High. FDIC insured up to \$250K*
Tenors	1 month to 20 years
Structures	Full Maturity; Callable; Step-Up
New Issue Offering Periods	Typically 1-2 weeks depending on demand
Risk	Investing over \$250K in one issuer
Survivor's Option	Yes, offered on all
Detailed Information	CD Disclosure Document

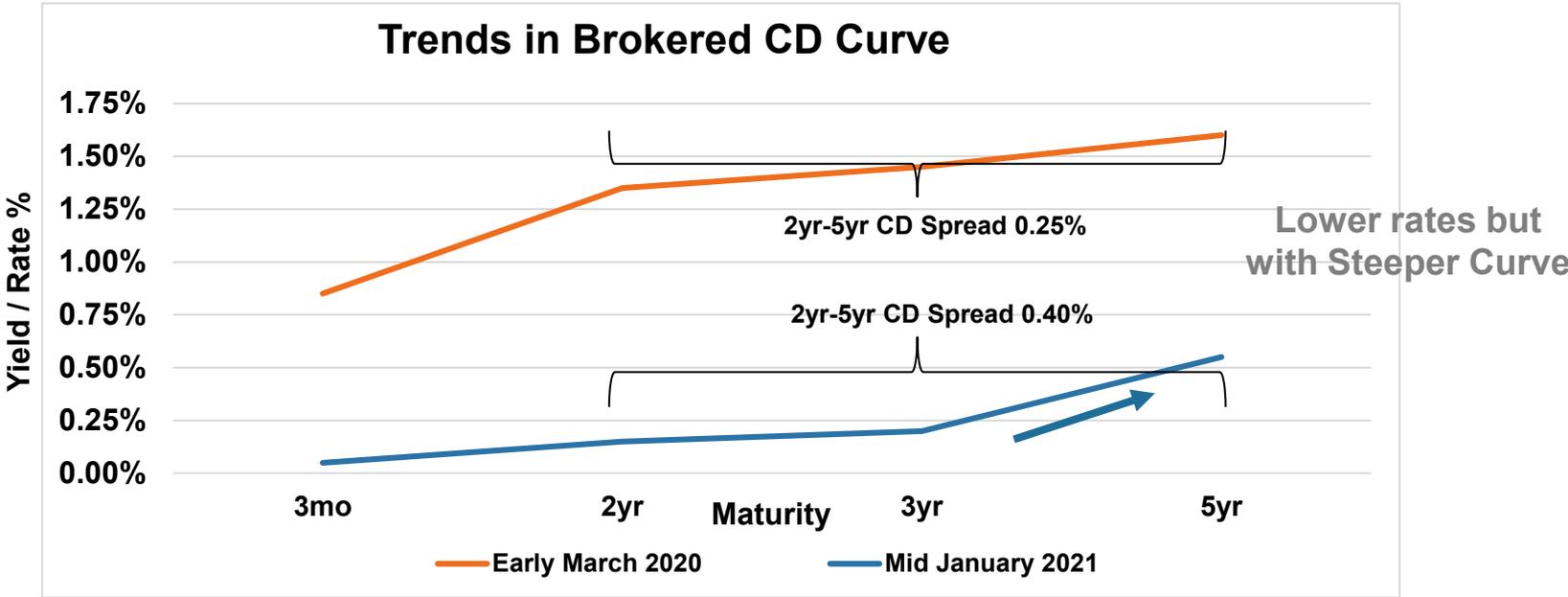
NORTHEAST BANK 0.050000 03/29/2021 01/29/2021	
Overview	Price & Performance
<b>Details</b>	<b>Issuer Information</b>
CUSIP	DSL1F9600
ISIN	--
SEDOL	--
Pay Frequency	AT MATURITY
Coupon	0.050
Maturity Date	03/29/2021
Issuer Events	--
Survivor Option	YES
Bond Type	CD
Blue Sky States	NO
Interest Accrual Date	01/29/2021
	<b>Coupon Features</b>
	Coupon Type

Screenshots are for illustrative purposes

\* For the purposes of FDIC insurance coverage limits, all depository assets of the account holder at the institution issuing the CD will generally be counted toward the aggregate limit (usually \$250,000) for each applicable category of account. FDIC insurance does not cover market losses. All the new-issue brokered CDs Fidelity offers are FDIC insured. In some cases, CDs may be purchased on the secondary market at a price that reflects a premium to their principal value. This premium is ineligible for FDIC insurance. For details on FDIC insurance limits, visit [FDIC.gov](https://www.fdic.gov).

# Current dynamics of brokered CD market

- Despite resetting lower, steepness has been added to the brokered CD curve
- With the Fed keeping the front-end anchored, it is possible that we see added steepness as economic conditions change and competition in the brokered CD market resumes.



10 Past performance is no guarantee of future results.  
Source: Fidelity.com as of 01/12/2021.



# New Issue Corporate Notes

# What are Corporate Notes and where to find them

- Not an FDIC-insured deposit
- Rated by major credit ratings agencies and subject to credit risk
- Once issued, held in a brokerage account and can be traded
- New issues are issued at \$1,000 minimums and increments
- No charge if purchased (online or with a representative) as a new issue and held until maturity\*
- Fidelity aggregates Corporate Note offerings on a rolling basis

The screenshot shows the Fidelity website interface. At the top, there's a green navigation bar with the Fidelity logo and links for 'CUSTOMER SERVICE', 'PROFILE', 'OPEN AN ACCOUNT', 'REFER A FRIEND', and 'LOG OUT'. Below this, there are four main navigation tabs: 'Accounts & Trade', 'Planning & Advice', 'News & Research', and 'Investments'. The 'News & Research' tab is active, and a dropdown menu is open, listing various options like 'News', 'Watch List', 'Quotes', 'Alerts', 'Mutual Funds', 'Stocks', 'Fixed Income, Bonds & CDs' (highlighted), 'ETFs', 'Options', 'Markets & Sectors', 'IPOs', 'Annuities', 'Learning Center', and 'Notebook'. The main content area is titled 'Fixed Income, Bonds & CDs' and includes a search bar with 'Bonds' and 'Funds' filters. Below the search bar, there are tabs for 'Yields', 'Bonds (87,293)', 'New Issues (144)', and 'CDs & Ladders (4,819)'. A table at the bottom shows various bond categories with their respective counts: U.S. Treasury (6,286), CDs (4,819), Agency/GSE (1,094), Municipal (42,981), Corporate (32,113), and All Offerings (87,293).

Screenshots are for illustrative purposes

\* Fidelity makes certain new issue products available without a separate transaction fee. Fidelity may receive compensation from issuers for participating in the offering as a selling group member and/or underwriter

# New Issue Corporate Note Offering

- Fidelity works proactively with the issuers and other market participants to access New Issue Notes to provide a strong product offering. More focus has been placed on this effort as market conditions have changed.
- Offerings are posted directly on Fidelity.com and individuals can also receive alerts for New Issue updates.
- New Issue offering periods allow for investment consideration and decision making. This process can be more straightforward than interacting with the secondary market.

Total Bonds Found: 18 As of 01/12/2021 at 12

[Help](#)

Select Action

		Statutory Prospectuses	Issue Description	Coupon	Coupon Frequency	Maturity Date	Rating		Expected Price	Expected Yield	Call Protected	Offering Period	Settlement Date	A
							Moody's	S&P						
<input type="checkbox"/>	<input type="button" value="Trade"/>	Prospectus	CITIGROUP GLOBAL MKTS HLDGS IN SER N MTN	0.400	SEMI-ANNUAL	01/22/2024	A3	BBB+	100.000	0.400	No	UNTIL WED., 01/20 @ 11:30 A.M. ET	01/22/2021	
<input type="checkbox"/>	<input type="button" value="Trade"/>	Prospectus	CITIGROUP GLOBAL MKTS HLDGS IN SER N MTN	Step-up	SEMI-ANNUAL	01/25/2024	A3	BBB+	100.000	0.400	No	UNTIL THUR., 01/21 @ 11:30 A.M. ET	01/25/2021	
<input type="checkbox"/>	<input type="button" value="Trade"/>	Prospectus	CITIGROUP INC SER G MTN	0.850	SEMI-ANNUAL	01/21/2026	A3	BBB+	100.000	0.850	No	UNTIL TUES., 01/19 @ 11:30 A.M. ET	01/21/2021	
<input type="checkbox"/>	<input type="button" value="Trade"/>	Prospectus	BARCLAYS BANK PLC MTN	0.700	SEMI-ANNUAL	01/22/2026	A1	A	100.000	0.700	No	UNTIL WED., 01/20 @ 11:30 A.M. ET	01/22/2021	
<input type="checkbox"/>	<input type="button" value="Trade"/>	Prospectus	BK OF AMERICA CORP SER N MTN	Step-up	QUARTERLY	01/26/2026	A2	A-	100.000	0.600	No	UNTIL FRI, 01/22 @ 11:30 A.M. ET	01/26/2021	
<input type="checkbox"/>	<input type="button" value="Trade"/>	Prospectus	CITIGROUP INC SER G MTN	1.250	SEMI-ANNUAL	01/21/2028	A3	BBB+	100.000	1.250	No	UNTIL TUES., 01/19 @ 11:30 A.M. ET	01/21/2021	
<input type="checkbox"/>	<input type="button" value="Trade"/>	Prospectus	CITIGROUP INC SER G MTN	Step-up	SEMI-ANNUAL	01/21/2028	A3	BBB+	100.000	1.000	No	UNTIL TUES., 01/19 @ 11:30 A.M. ET	01/21/2021	
<input type="checkbox"/>	<input type="button" value="Trade"/>	Prospectus	TORONTO DOMINION BK N Y BRH NOTE	1.000	QUARTERLY	01/24/2028	AA3	A	100.000	1.000	No	UNTIL WED., 01/20 @ 11:30 A.M. ET	01/22/2021	
<input type="checkbox"/>	<input type="button" value="Trade"/>	Prospectus	BANK OF MONTREAL SER F MTN	Step-up	SEMI-ANNUAL	01/28/2028	A2	--	100.000	1.000	No	UNTIL THUR., 01/21 @ 11:30 A.M. ET	01/28/2021	
<input type="checkbox"/>	<input type="button" value="Trade"/>	Prospectus	ROYAL BK CDA MTN	Step-up	SEMI-	01/29/2029	A2	A	100.000	1.000	No	UNTIL WED., 1/27 @ 11:30 A.M. ET	01/29/2021	

# Evaluating a Corporate Note

	Statutory Prospectuses	Issue Description	Coupon	Coupon Frequency	Maturity Date <sup>Δ</sup>	Rating		Expected Price	Expected Yield	Call Protected	Offering Period	Settlement Date	Attributes
						Moody's	S&P						
Trade	Prospectus	PROSPECT CAP CORP MTN	1.500	SEMI-ANNUAL	01/15/2024	BAA3	BBB-	100.000	1.500	No	UNTIL TUE, 01/19 @ 11:30 A.M. ET	01/22/2021	SFP SO

Issuers	Financial Institutions; Large Corporations; Niche Participants
Credit Quality	Investment Grade: Moody's Baa3 and better S&P BBB- and better
Tenors	9 months to 30 years
Structures	Full Maturity; Callable; Step-Up
New Issue Offering Periods	Typically 1-3 weeks
Risk	Typically senior, unsecured debt
Survivor's Option	Case by case
Detailed Information	Prospectus

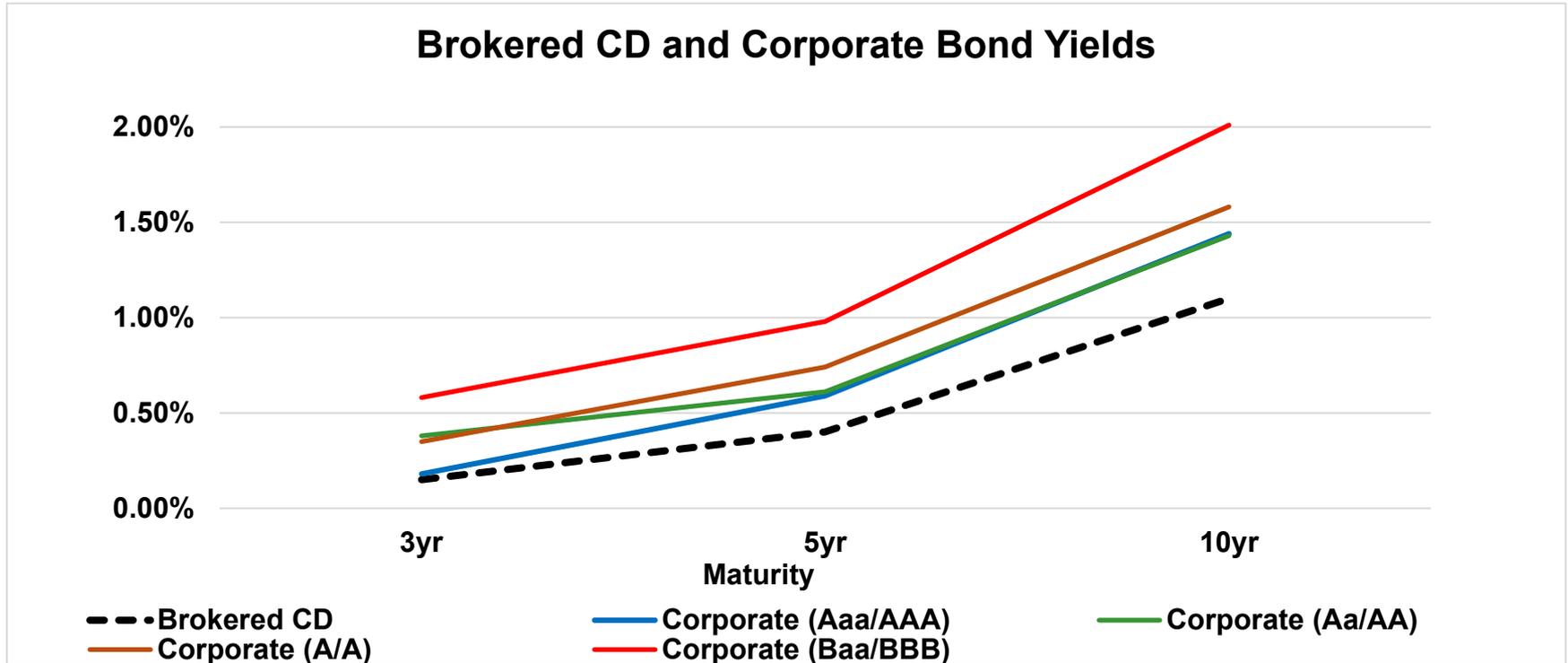
PROSPECT CAP CORP MTN 1.50000% 01/15/2024	
<p><b>Important:</b> Click to <a href="#">view negative credit watch status of certain offerings</a></p> <p>Overview Price &amp; Performance</p>	
<b>Details</b>	<b>Issuer Information</b>
CUSIP 74348GAW0	Issue Date 01/19/2021
ISIN US74348GAW06	Dated Date 01/22/2021
SEDOL --	First Coupon Date 07/15/2021
Pay Frequency SEMI-ANNUALLY	Next Coupon 07/15/2021
Coupon 1.500	Last Coupon 07/15/2023
Maturity Date 01/15/2024	Workout Date 07/15/2021
Moody's Rating BAA3	Original Issue Amount \$1,000,000.00
S&P Rating BBB-	Issue Price --
Issuer Events NO	
Survivor Option YES	
Bond Type Corporate Note	<b>Coupon Information</b>
Sector FINANCE (BANK)	Coupon Type FIXED
Interest Accrual Date 01/22/2021	Current Rate Effective Date 01/11/2021
	Day Count Basis 30/360
	Trading Flat NO
<b>Redemptive Features</b>	Reset Frequency TERM MODE
Call Protection View Schedule NO	Benchmark Reference --
Continuously Callable YES	Benchmark Formula --
Called Bonds NO	Next Reset Date --
Make Whole Call NO	Next Reset Rate --
Conditional Call NO	Minimum Rate --
Sinking Fund Protection YES	Maximum Rate --
Sink Defeased NO	
Extraordinary Redemption NO	<b>Convertible Information</b>
Special Mandatory Redemption NO	Convertible NO
Special Defeased Redemption NO	



# Comparing New Issue Brokered CDs and New Issue Corporate Notes

# Comparing Brokered CD and Corporate Bond Yields

- Yields associated with Brokered CDs and Corporate bonds can reflect risk



Past performance is no guarantee of future results.

16 Source: Fidelity.com Secondary market median yields as of 01/18/2021.



# Key Differences and Similarities of New Issue Brokered CDs and New Issue Corporate Notes

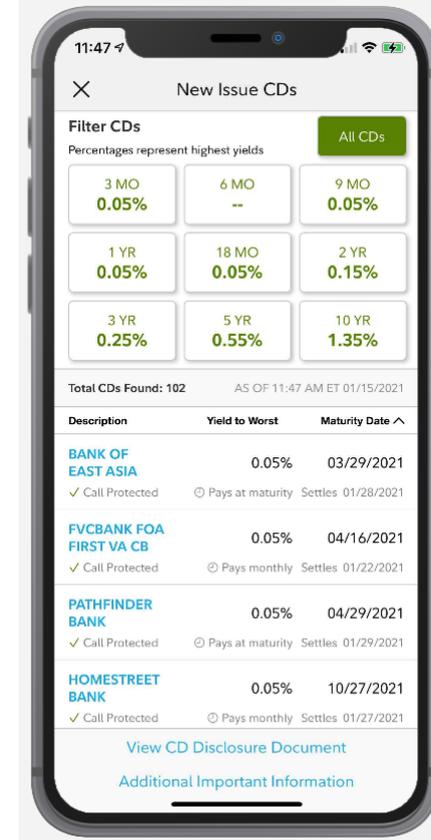
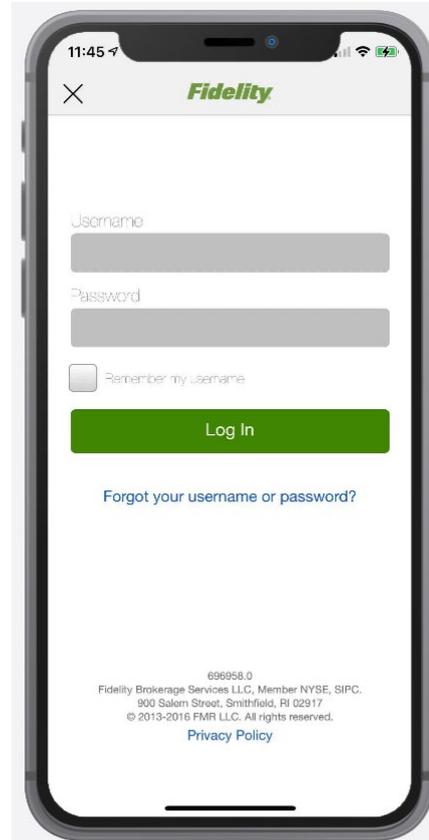
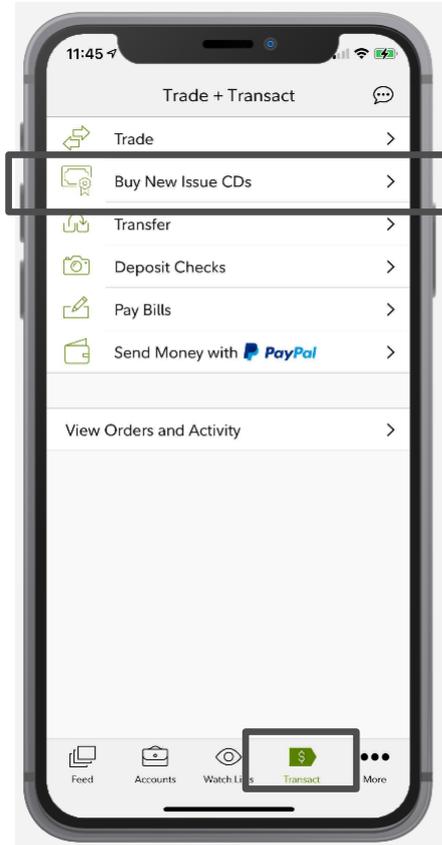
	Brokered CDs	Corporate Notes	Similar	Different
<b>Issuers</b>	Large Program Banks Regional Banks Community Banks	Large Financial Inst. Large Corporates Niche Participants		Yes
<b>Credit Quality</b>	FDIC Insured up to 250K	Moody's / S&P Investment Grade		Yes
<b>Tenors</b>	1mo - 20yrs	9mos - 30yrs	Yes	
<b>Structures</b>	Fixed Rate / Step-up Callable / Non-Callable	Fixed Rate / Step-up Callable / Non-Callable	Yes	
<b>New Issue Offering Periods</b>	1-2 Weeks	1-3 Weeks	Yes	
<b>Risk</b>	FDIC Insured up to 250K	Senior Unsecured		Yes
<b>Survivor's Option</b>	All	Case by case	Yes	
<b>Detailed Information</b>	CD Disclosure Document	Prospectus		Yes



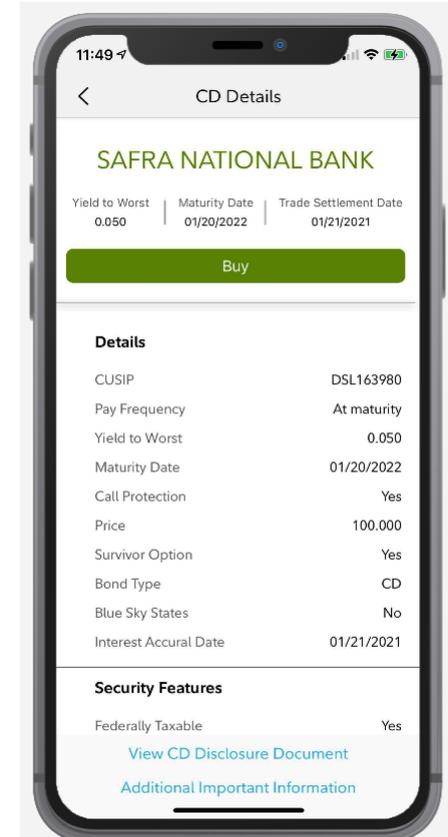
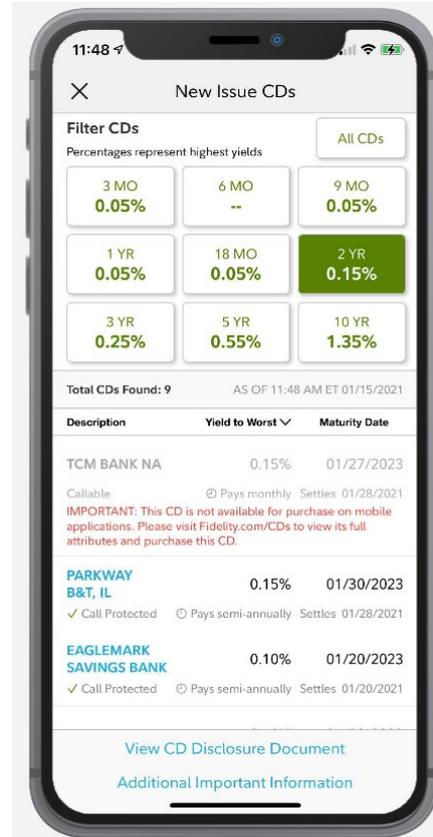
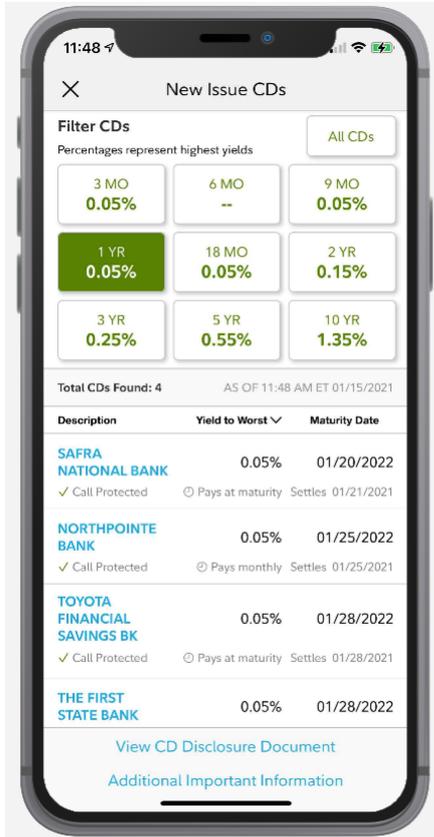
**NEW!**

**New Issue CDs now available  
on Mobile App**

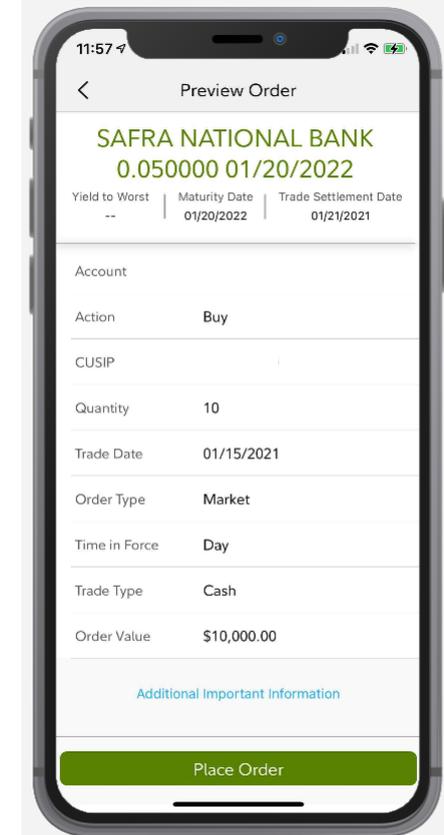
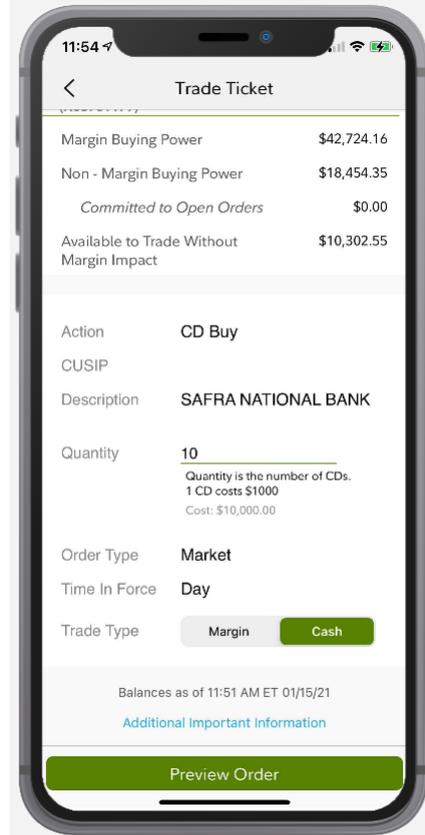
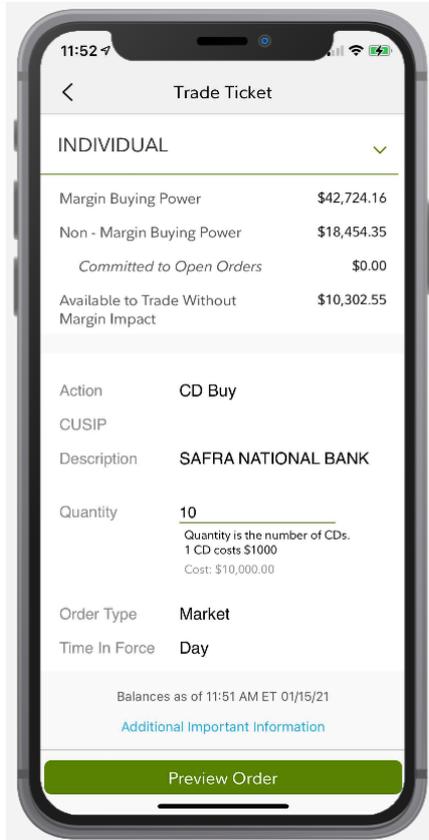
# CDs in Mobile – Location in “Markets”



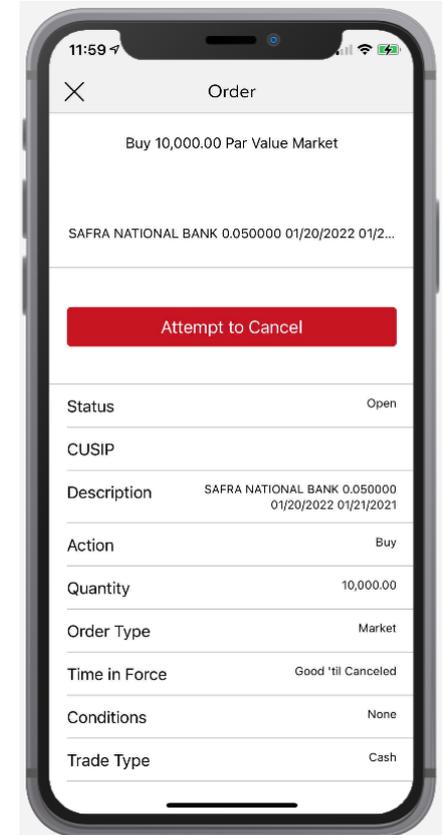
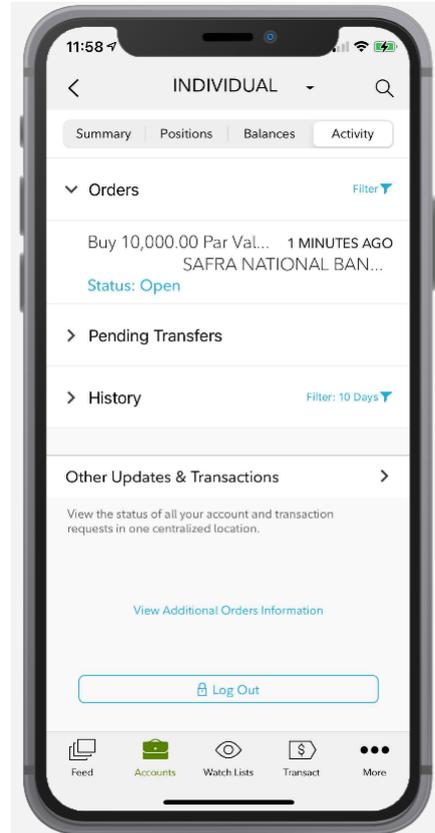
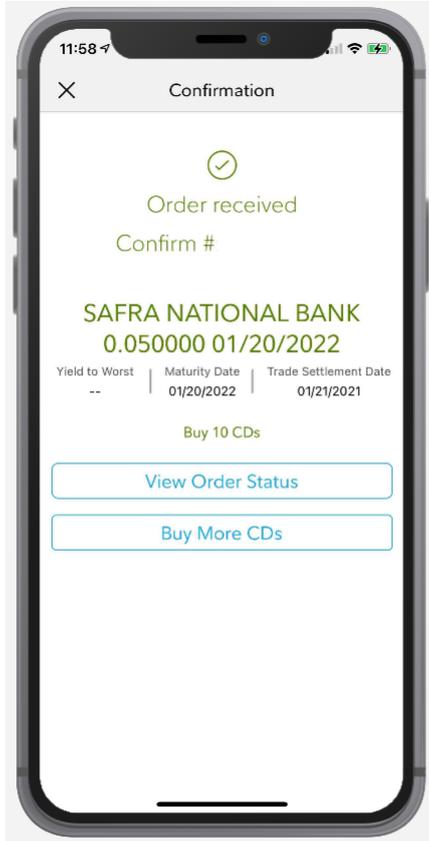
# CDs in Mobile - Selecting



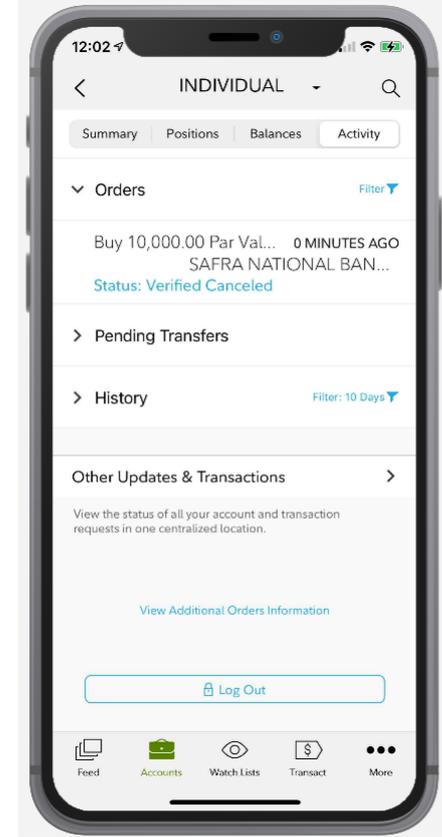
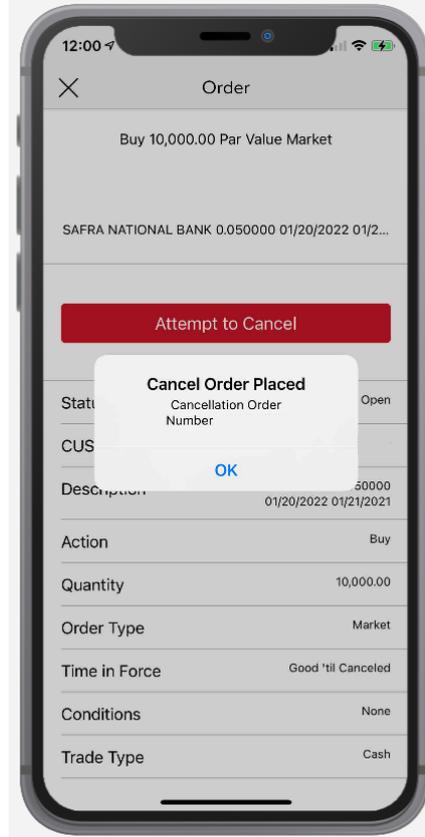
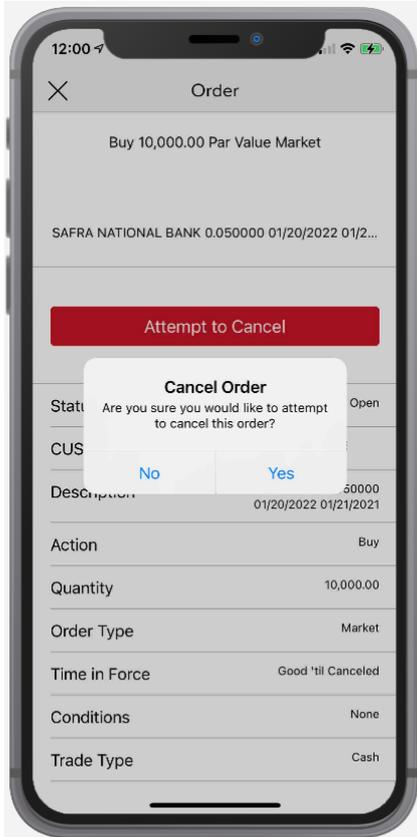
# CDs in Mobile – Order Entry & Trade Preview



# CDs in Mobile – Order Status



# CDs in Mobile – Canceling an Open Order





# Summary and Next Steps

# Summary & Next Steps

1. Investors looking for fixed income should always balance the pros / cons of liquid instruments such as cash compared to less-liquid options.
2. Brokered CDs that Fidelity offers are FDIC-insured and provide the potential to invest across multiple different issuers, across a range of maturities.
3. Similarly, the Corporate Notes that Fidelity offers provide the opportunity for higher yields although these instruments are not FDIC-insured and investors should read the prospectus and credit ratings.
4. Both products, when offered as new issues, benefit from being issued at par (\$1,000) and carry no charge to purchase.

## Fidelity.com

- 1
Fidelity.com > Research > Fixed Income
- 2
“Bonds” tab or “CDs & Ladders” tab

The screenshot shows the Fidelity.com website interface for Fixed Income, Bonds & CDs. At the top, there's a navigation bar with 'Fidelity' logo and links for 'Accounts & Trade', 'Planning & Advice', 'News & Research', 'Investment Products', and 'Why Fidelity'. Below this is a search bar and a 'Contact Us' section with the number 800-544-5372. The main content area is titled 'Fixed Income, Bonds & CDs' and includes a promotional banner for a bond pricing study. Below the banner is a search section with tabs for 'Bonds' and 'Funds'. The 'Bonds' tab is selected, and a sub-tab for 'CDs & Ladders' is also visible. A table of bond offerings is displayed, with columns for 'Yield' and 'Maturity'. The table includes rows for 'U.S. Treasury', 'Agency/SE', 'Corporate (AaaAAA)', and 'Municipal (AaaAAA)'. The 'Bonds' and 'CDs & Ladders' tabs are highlighted with red boxes in the original image.

# Thank You!

## Important information

**Minimum markup or markdown of \$19.95 applies if traded with a Fidelity representative. For U.S. Treasury purchases traded with a Fidelity representative, a flat charge of \$19.95 per trade applies. A \$250 maximum applies to all trades, reduced to a \$50 maximum for bonds maturing in one year or less. Rates are for U.S. dollar-denominated bonds; additional fees and minimums apply for non-dollar bond trades. Other conditions may apply; see [Fidelity.com/commissions](https://www.fidelity.com/commissions) for details. Please note that markups and markdowns may affect the total cost of the transaction and the total, or "effective," yield of your investment. The offering broker, which may be our affiliate, National Financial Services LLC, may separately mark up or mark down the price of the security and may realize a trading profit or loss on the transaction.**

Fidelity makes certain new issue products available without a separate transaction fee. Fidelity may receive compensation from issuers for participating in the offering as a selling group member and/or underwriter.

Any screenshots, charts, or company trading symbols mentioned, are provided for illustrative purposes only and should not be considered an offer to sell, a solicitation of an offer to buy, or a recommendation for the security.

Views expressed are as of the date indicated, based on the information available at that time, and may change based on market or other conditions. Unless otherwise noted, the opinions provided are those of the speakers and not necessarily those of Fidelity Investments or its affiliates. Fidelity does not assume any duty to update any of the information.

Past performance is no guarantee of future results.

In general, the bond market is volatile, and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities.) Fixed income securities also carry inflation risk, liquidity risk, call risk, and credit and default risks for both issuers and counterparties. Any fixed income security sold or redeemed prior to maturity may be subject to loss.

Displayed rates of return, including annual percentage yield (APY), represent stated APY for either individual certificates of deposit (CDs) or multiple CDs within model CD ladders, and were identified from Fidelity inventory as of the time stated. For current inventory, including available CDs, please view the [CDs & Ladders tab](#).



# Thank You!

## Important information continued

Brokered CDs sold or redeemed prior to maturity may be subject to loss. Your ability to sell a CD on the secondary market is subject to market conditions. The secondary market for CDs may be limited. If your CD has a step rate, the interest rate of your CD may be higher or lower than prevailing market rates. The initial rate on a step rate CD is not the yield to maturity. If your CD has a call provision, which many step rate CDs do, please be aware the decision to call the CD is at the issuer's sole discretion. Also, if the issuer calls the CD, you may be confronted with a less favorable interest rate at which to reinvest your funds. Fidelity makes no judgment as to the credit worthiness of the issuing institution.

For the purposes of FDIC insurance coverage limits, all depository assets of the account holder at the institution that issued the CD will generally be counted toward the aggregate limit (usually \$250,000) for each applicable category of account. FDIC insurance does not cover market losses. In some cases, CDs may be purchased on the secondary market at a price that reflects a premium to their principal value. This premium is ineligible for FDIC insurance. For details on FDIC insurance limits, see [www.fdic.gov](http://www.fdic.gov)

A CD ladder, depending on the types and amount of securities within it, may not ensure adequate diversification of your investment portfolio. While diversification does not ensure a profit or guarantee against loss, a lack of diversification may result in heightened volatility of your portfolio value. You must perform your own evaluation as to whether a CD ladder and the securities held within it are consistent with your investment objectives, risk tolerance, and financial circumstances. To learn more about diversification and its effects on your portfolio, contact a representative.

CD Model Ladders are provided for educational purposes and are not intended to serve as the primary basis for your investment, financial or tax planning decisions. The results of the tool are based on your inputs and criteria and the tool's stated methodology.

Fidelity Capital Markets is a division of National Financial Services LLC, a Fidelity Investments company and a member of NYSE and SIPC.

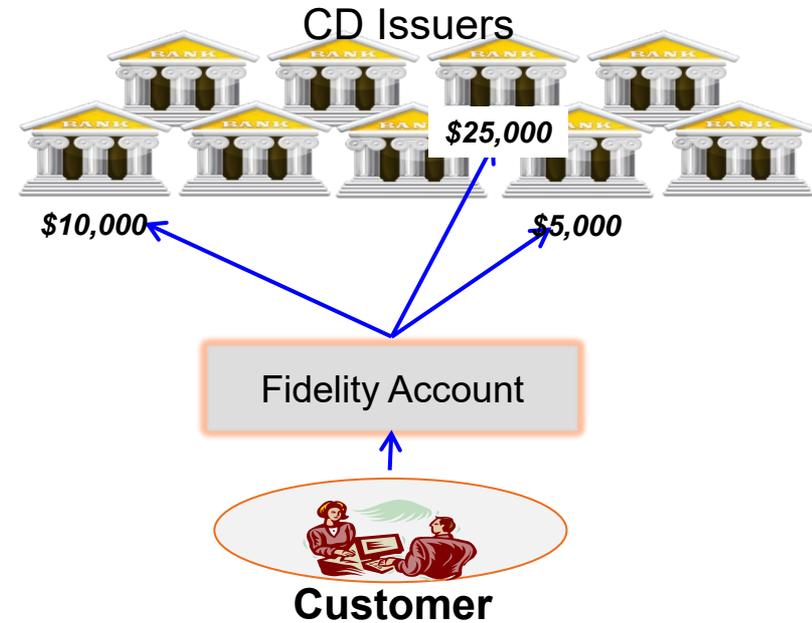


# APPENDIX

# What is Fidelity's new issue CD offering?

1. At any point in time, Fidelity typically offers over 100 new issue CDs from 20-50 different banks
2. In 2019 Fidelity offered new issue CDs from over 700 different issuers
3. All Fidelity's new issue CD offerings are:
  - Priced at par
  - Minimum \$1000 investment
  - FDIC insured
  - No charge to invest\*
4. Open for orders 24/7

## Brokered CDs at Fidelity



For the purposes of FDIC insurance coverage limits, all depository assets of the account holder at the institution issuing the CD will generally be counted toward the aggregate limit (usually \$250,000) for each applicable category of account. FDIC insurance does not cover market losses. All the new-issue brokered CDs Fidelity offers are FDIC insured. In some cases, CDs may be purchased on the secondary market at a price that reflects a premium to their principal value. This premium is ineligible for FDIC insurance. For details on FDIC insurance limits, visit [FDIC.gov](https://www.fdic.gov).

\* Fidelity makes new-issue CDs available without a separate transaction fee. Fidelity Brokerage Services LLC and National Financial Services LLC receive compensation for participating in the offering as a selling group member or underwriter.