



Bond Investing, Beyond Yield— A Deeper Dive



With a more sophisticated understanding of the bond landscape, you can make empowered decisions to help you grow your portfolio.

Develop an Ongoing Strategy with Fidelity



Education on the dimensions of bond investing



Resources to help inform and assist in selecting bond investments



Insights for making more prudent and informed decisions



Common Questions

1

How many of you can describe the risk/reward of different types of bonds?

2

How many understand how the rate cycle impacts prices and yields of bonds?

3

How many know the different bond strategies to help manage your wealth?



Today's Agenda

Understanding Macroeconomic Trends

Key Market Drivers



The Economy
Since 2007

U.S. Treasury
Yields

Markets Reaction
to Easing and
Tightening

Key Market Drivers



A global economic rebound as the world emerges from lockdown

- US GDP contracted -3.5% in 2020. 1Q 2021: +6.4%. Full year 2021 estimated +6-7%.
- Manufacturing led recovery with ISM Manufacturing Index jumping from 41.5 in April '20 to 61.2 by May '21. Service sector catching up in 2021.
- US unemployment improving from 14.7% in April '20 to 5.8% by May '21.

Monetary policy accommodative as fiscal policy rises to center stage

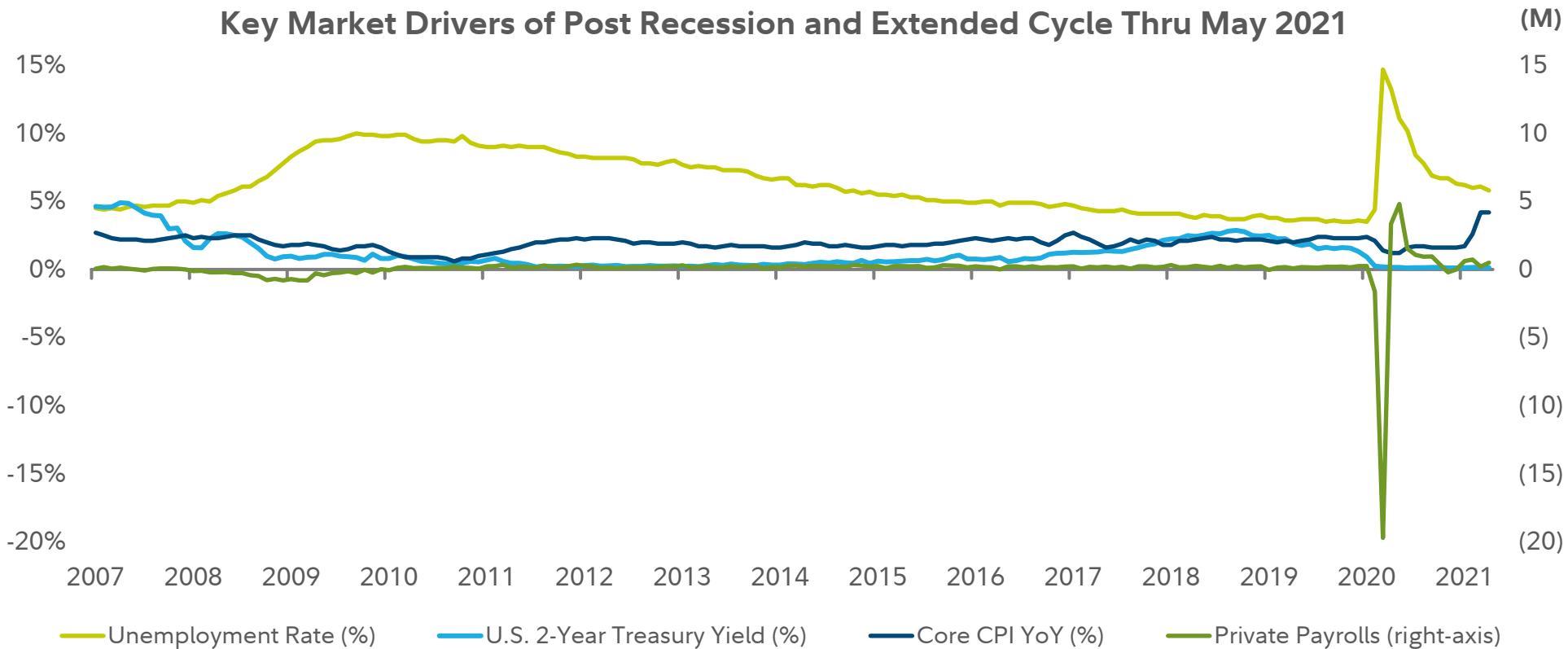
- Fed Funds Effective Rate at 0.06%; purchasing \$120B Treasury and MBS per month.
- Federal Reserve balance sheet doubled in 18 months to \$8T.
- Fiscal deficit running at 15% of GDP as CBO project federal debt at 102% of GDP.
- Shift in Fed's dual mandate, prioritizing employment and upping inflation target to average 2% over the economic cycle.

Inflation gathers pace; will it prove transitory?

- Oil prices rebound from negative levels in April '20 as supply increases more slowly.
- Supply chain constraints lead to broader commodity rallies as labor market shows a record number of unfilled job openings.
- Treasury yields spiked to 1.75% in Q1 '21 in anticipation of inflation but have since fallen even as consumer prices hit 5.0% y/y in May – the highest since 2008.

Trends:

The Economy Since 2007



Source: Bloomberg, May 2021

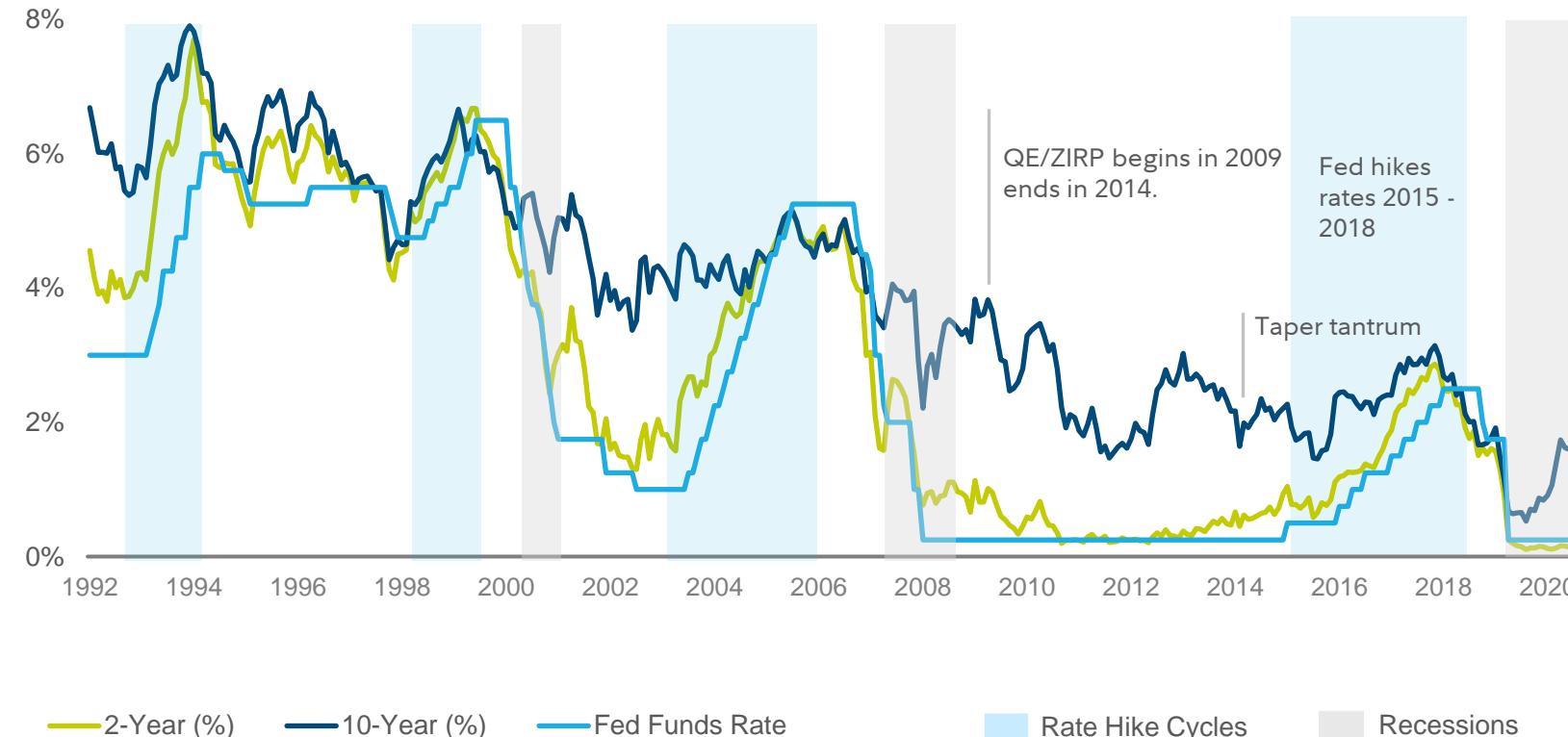
In general, the bond market is volatile, and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities.) Fixed income securities also carry inflation risk, liquidity risk, call 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.

Past performance is no guarantee of future results.

Trends: U.S. Treasury Yields



- The last four rate hike cycles averaged 10 rate hikes of 25bps each over an average of 22 months.



Source: Bloomberg and NBER, May 2021

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Trends:



Markets Reaction to Easing and Tightening

QUANTITATIVE EASING CYCLES

	QE1 11/25/08- 3/31/10	QE2 11/3/10- 6/30/11	QE3 9/13/12- 10/29/14	QE4 9/19/19 – 5/31/21
U.S. Treasury Bonds	1.5%	(0.3%)	1.7%	4.4%
Investment-Grade Bonds	30.4%	1.4%	6.3%	8.8%
U.S. High-Yield Bonds	79.3%	5.4%	15.9%	12.0%
U.S. Large-Cap Stocks	26.0%	16.1%	35.8%	39.8%
Gold	21.5%	17.7%	(32.0%)	27.2%

FED RATE HIKE CYCLES

	2/28/94- 3/31/95	5/31/99- 7/31/00	6/30/04- 7/31/06	12/16/15- 12/31/18
U.S. Treasury Bonds	2.0%	6.2%	5.3%	4.3%
Investment-Grade Bonds	2.2%	3.7%	5.8%	9.2%
U.S. High-Yield Bonds	2.9%	(0.5%)	16.2%	23.8%
U.S. Large-Cap Stocks	10.5%	11.4%	9.4%	10.3%
Gold	4.3%	4.3%	54.2%	19.6%

Assets represented by the following: Gold – Gold Spot Price (Bloomberg); U.S. Treasury Bonds – Bloomberg Barclays Treasury Index; U.S. High-Yield Bonds – Bank of America Merrill Lynch High Yield Master II Index; U.S. Large-Cap Stocks – S&P 500® Index; IG Bonds – Bloomberg Barclays Corporate Investment Grade Index.

Source: Bloomberg May 2021

You cannot invest directly in an index. See appendix for important index information. Past performance is no guarantee of future results.

Three Dimensions of Bond Investing

Understanding the Treasury Yield Curve



Bond Sub-Asset Classes Have Different Risk/Reward Characteristics

A Range of Yields Around the Benchmarks

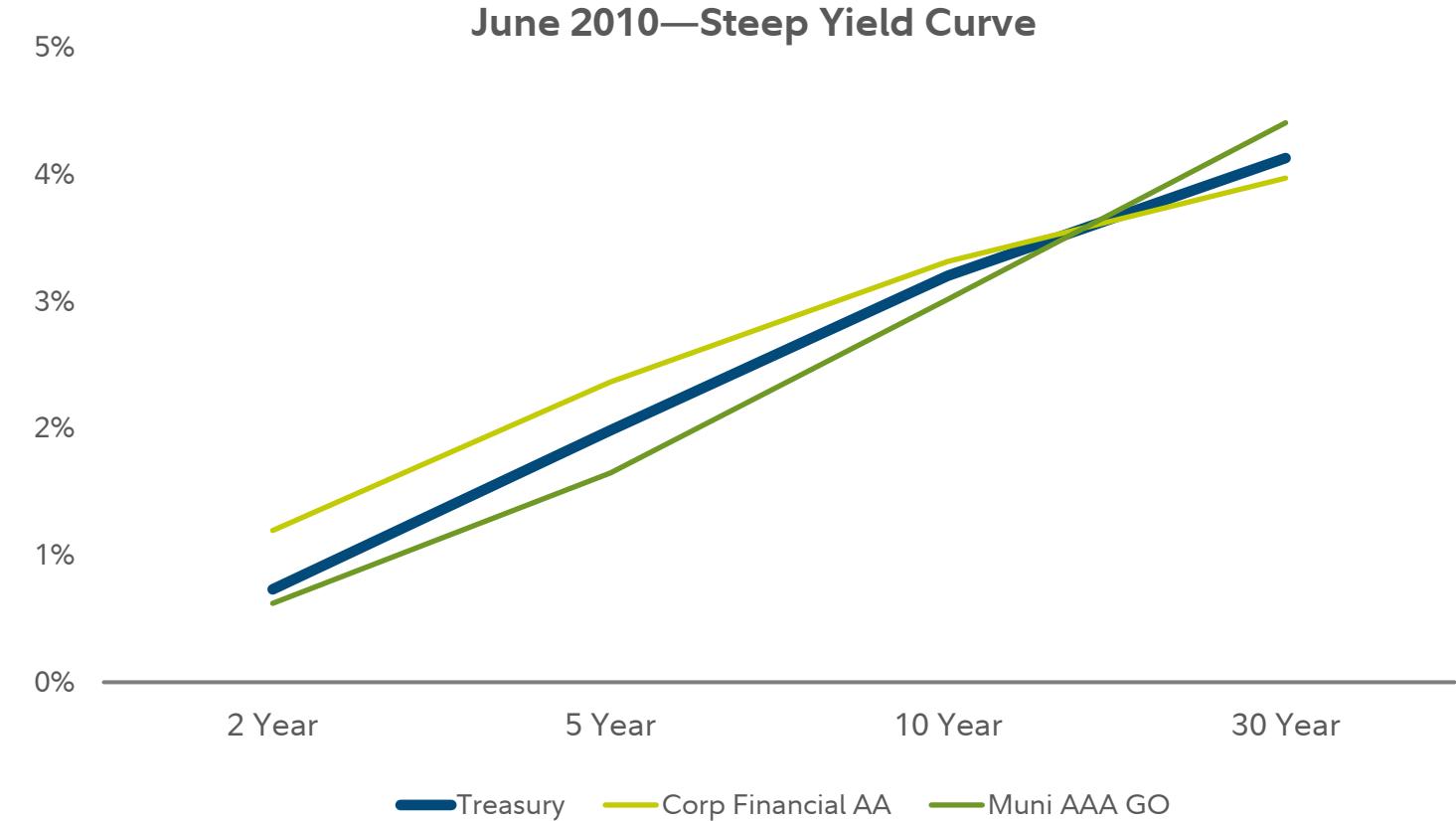
Dimension 1:



Understanding the Treasury Yield Curve

Steep, upward-sloping curve:

During a recession or at the early part of the expansion. Fed (completed) cutting rates



Source: Bloomberg

Yield Curves were taken from 7/21/06, and 6/4/10, and 08/27/2019. UST – U.S. Treasury Actives Curve, Bloomberg; Corp – U.S. Dollar Swaps (30/360, S/A) Curve Financial AA; Muni – U.S. Muni General Obligation AAA Curve.

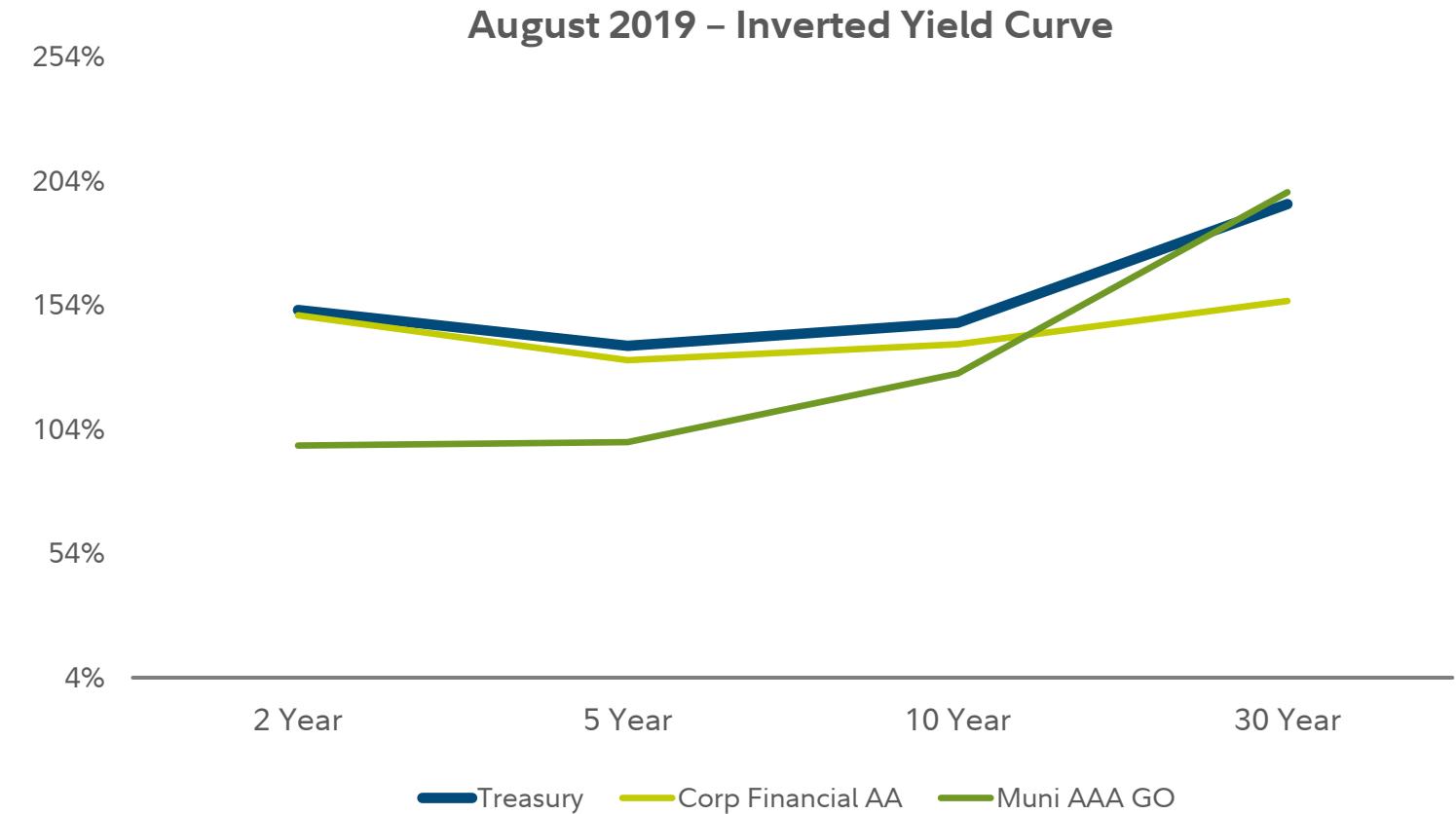
Dimension 1:



Understanding the Treasury Yield Curve

Inverted curve:

Typically at the end of an economic cycle.
Fed rate hikes complete



Source: Bloomberg

Yield Curves were taken from 7/21/06, and 6/4/10, and 08/27/2019. UST – U.S. Treasury Actives Curve, Bloomberg; Corp – U.S. Dollar Swaps (30/360, S/A) Curve Financial AA; Muni – U.S. Muni General Obligation AAA Curve.

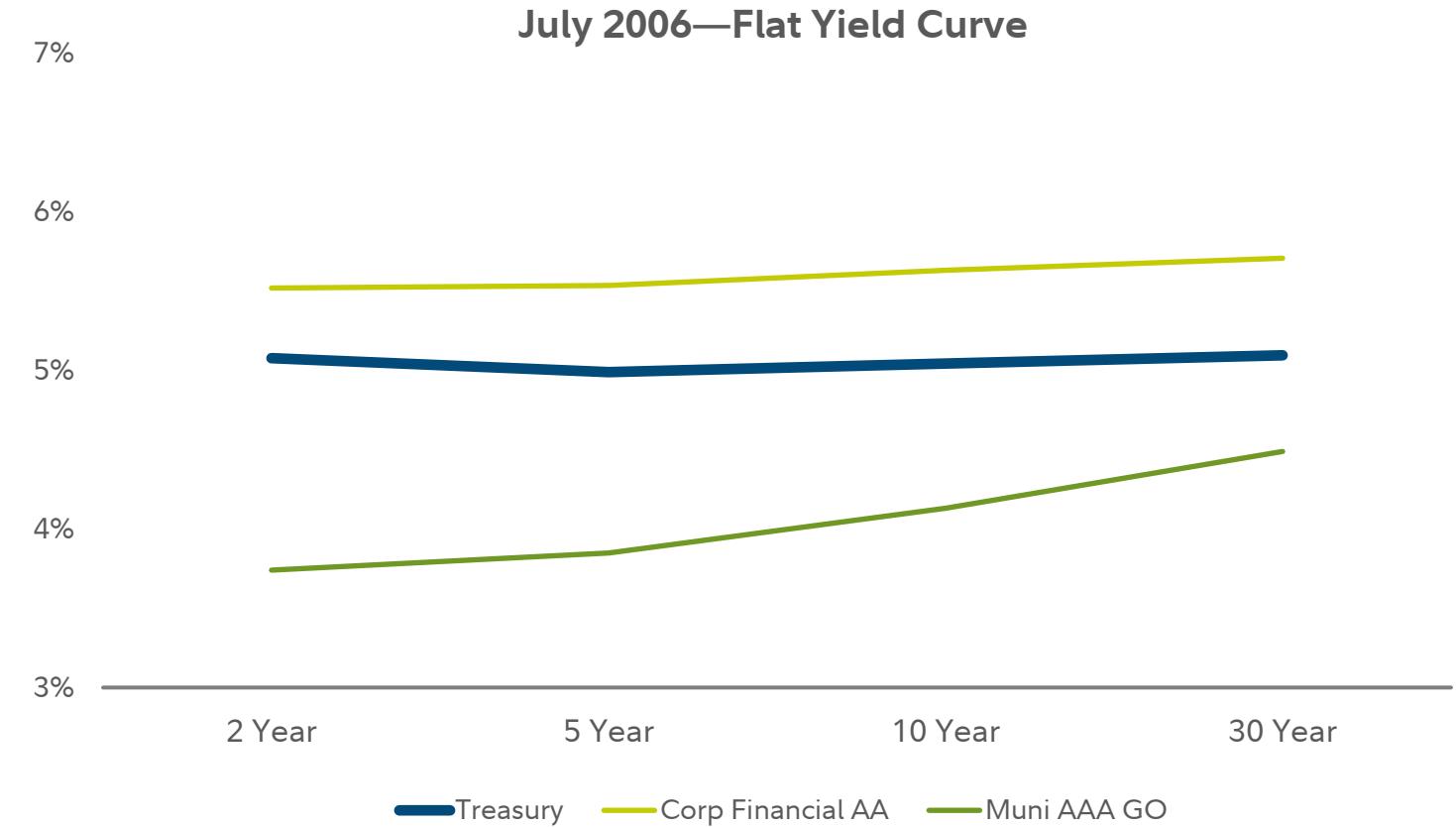
Dimension 1:



Understanding the Treasury Yield Curve

Flat curve:

Close to the end of the cycle.
Fed still raising rates,
growth strong

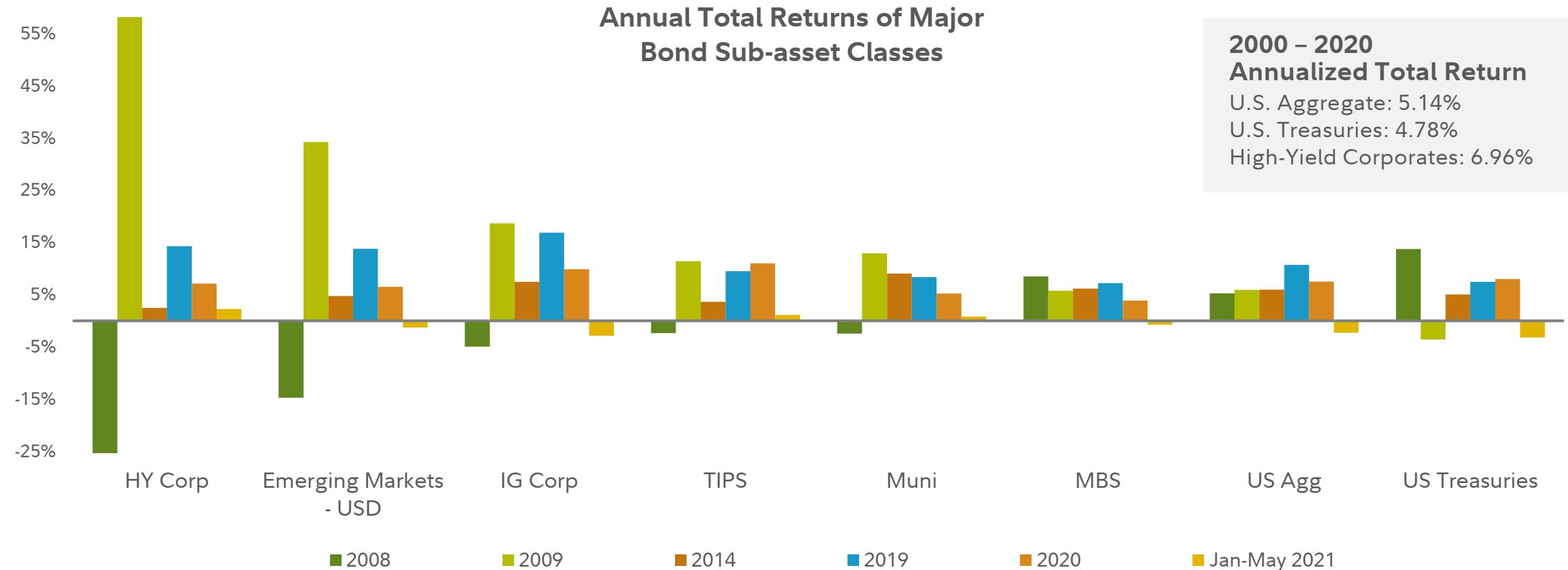


Source: Bloomberg

Yield Curves were taken from 7/21/06, and 6/4/10, and 08/27/2019. UST – U.S. Treasury Actives Curve, Bloomberg; Corp – U.S. Dollar Swaps (30/360, S/A) Curve Financial AA; Muni – U.S. Muni General Obligation AAA Curve.

Dimension 2:

Bond Sub-Asset Classes Have Different Risk/Reward Characteristics



Source: Barclays, May 2021

HY Corp – Bloomberg Barclays U.S. High Yield Index, EM – Bloomberg Barclays USD Emerging Markets Index, IG Corp – Bloomberg Barclays U.S. Corporate Investment Grade Index, TIPS – Bloomberg Barclays U.S. TIPS Index, Muni – Bloomberg Barclays Municipal Bond Index, MBS – Bloomberg Barclays U.S. Mortgage Backed Securities (MBS) Index, U.S. Agg – Bloomberg Barclays U.S. Aggregate Index, UST – Bloomberg Barclays U.S. Treasury Index (see index definitions on page 44).

Past performance is no guarantee of future results.

Fixed Income & Bond Yields

View by: [Highest Yield](#) | [Median Yield](#)

Understanding This Table	3mo	6mo	9mo	1yr	2yr	3yr	5yr	10yr	20yr	30yr+
CDs (New Issues)	0.04%	0.03%	0.05%	0.05%	0.15%	0.25%	0.95%	1.80%	--	--
BONDS										
U.S. Treasury	0.02%	0.03%	0.04%	0.06%	0.15%	0.31%	0.77%	1.52%	2.13%	2.23%
U.S. Treasury Zeros	-0.05%	-0.04%	-0.03%	-0.02%	0.08%	0.27%	0.79%	1.71%	2.29%	2.26%
Agency/GSE	0.11%	0.10%	0.08%	0.11%	0.20%	0.42%	1.01%	1.85%	2.57%	--
Corporate (Aaa/AAA)	-1.60%	0.17%	0.02%	0.35%	0.08%	0.43%	1.10%	1.87%	2.71%	3.27%
Corporate (Aa/AA)	0.09%	0.18%	0.17%	0.19%	0.26%	0.41%	1.08%	2.12%	2.94%	3.83%
Corporate (A/A)	0.25%	0.25%	0.21%	0.45%	0.47%	0.90%	1.45%	2.72%	3.47%	4.05%
Corporate (Baa/BBB)	0.41%	0.43%	0.52%	1.38%	0.98%	1.88%	2.42%	4.03%	4.70%	5.03%
Municipal (Aaa/AAA)	0.38%	0.23%	0.21%	0.27%	0.39%	0.56%	0.77%	1.74%	2.08%	2.14%
Municipal (Aa/AA)	0.41%	0.32%	0.37%	0.41%	0.47%	0.66%	1.16%	1.90%	2.31%	2.32%
Municipal (A/A)	0.37%	0.38%	0.55%	0.47%	0.54%	0.74%	1.06%	1.94%	2.38%	2.03%
Taxable Municipal*	0.42%	0.37%	--	0.40%	0.61%	0.68%	1.18%	2.52%	3.33%	3.51%

Dimension 3:
A Range of
Yields Around
the Benchmarks

Source: Fidelity.com as of June 2021

For illustrative purposes only

*Taxable Municipal ratings cover a rating range from Aaa to A3 from Moody's or AAA to A- from S&P.

Trade	Description	Coupon	Maturity Date	Next Call Date	Rating		Bid		Ask Yield to Worst/ Yield to Sink	Yield to Maturity	Depth of Book	3rd Party Price / Recent Trades	Attributes and Issuer Events
					Moody's	S&P	Yield	Price Qty/min)					
Buy	NATIONAL AUSTRALIA BANK NEW YORK BR 2.50000% 07/12/2026 MTN	2.500	07/12/2026	View	AA3	AA-	1.140	106.703 500(250)	106.964 1,000(250)	1.089 --	1.089		106.363 View IE SFP D
Sell													
Buy	WESTPAC BANKING CORPORATION NOTE 2.85000% 05/13/2026	2.850	05/13/2026	View	AA3	AA-	1.120	108.267 5(2)	108.471 100(10)	1.079 --	1.079		108.087 View IE SFP D
Sell													
Buy	WESTPAC BKG CORP NOTE 1.15000% 06/03/2026	1.150	06/03/2026	View	AA3	AA-	1.152	99.992 500(2)	100.342 1,992(2)	1.079 --	1.079		99.990 View IE SFP D
Sell													
Buy	CHEVRON CORPORATION NOTE CALL MAKE WHOLE2.95400% 05/16/2026	2.954	05/16/2026	02/16/2026	AA2	AA-	1.035	108.752 500(2)	108.921 100(9)	1.000 --	1.092		108.599 View IE SFP D
Sell													
Buy	FINLAND REP BOND CALL MAKE WHOLE6.95000% 02/15/2026	6.950	02/15/2026	View	AA1	AA+	1.299	125.577 500(10)	127.245 500(10)	0.980 --	0.980		125.893 -- IE SFP D
Sell													
MEDIAN YIELD													
Buy	WALMART INC NOTE CALL MAKE WHOLE3.05000% 07/08/2026	3.050	07/08/2026	05/08/2026	AA2	AA	1.001	109.796 500(2)	109.915 3(2)	0.977 --	1.040		109.755 View IE SFP D
Sell													
Buy	EXXON MOBIL CORP NOTE CALL MAKE WHOLE3.04300% 03/01/2026	3.043	03/01/2026	12/01/2025	AA2	AA-	0.983	108.995 250(5)	109.172 125(2)	0.945 --	1.048		109.058 View IE SFP D
Sell													
Buy	BERKSHIRE HATHAWAY INC DEL NOTE 3.12500% 03/15/2026 CALL MAKE WHOLE	3.125	03/15/2026	12/15/2025	AA2	AA	0.921	109.723 49(2)	109.807 125(2)	0.903 --	1.011		109.705 View IE SFP D
Sell													
Buy	APPLE INC NOTE CALL MAKE WHOLE3.25000% 02/23/2026	3.250	02/23/2026	11/23/2025	AA1	AA+	0.901	110.228 50(2)	110.322 200(2)	0.881 --	0.998		110.230 View IE SFP D
Sell													
Buy	PROVINCE OF QUEBEC SER QP NOTE 2.50000% 04/20/2026	2.500	04/20/2026	View	AA2	AA-	0.913	107.531 250(10)	107.994 925(25)	0.819 --	0.819		107.474 -- SFP D
Sell													
Buy	PROCTER & GAMBLE CO NOTE CALL MAKE WHOLE1.00000% 04/23/2026	1.000	04/23/2026	View	AA3	AA-	0.808	100.915 500(9)	101.066 1,000(2)	0.776 --	0.776		100.838 View IE SFP D
Sell													

Dimension 3:
A Range of
Yields Around
the Benchmarks

Source: Fidelity.com as of June 2021
For illustrative purposes only

Investing in Corporate & Municipal Bonds

Comparing the
Risks & Rewards
of Various Bonds

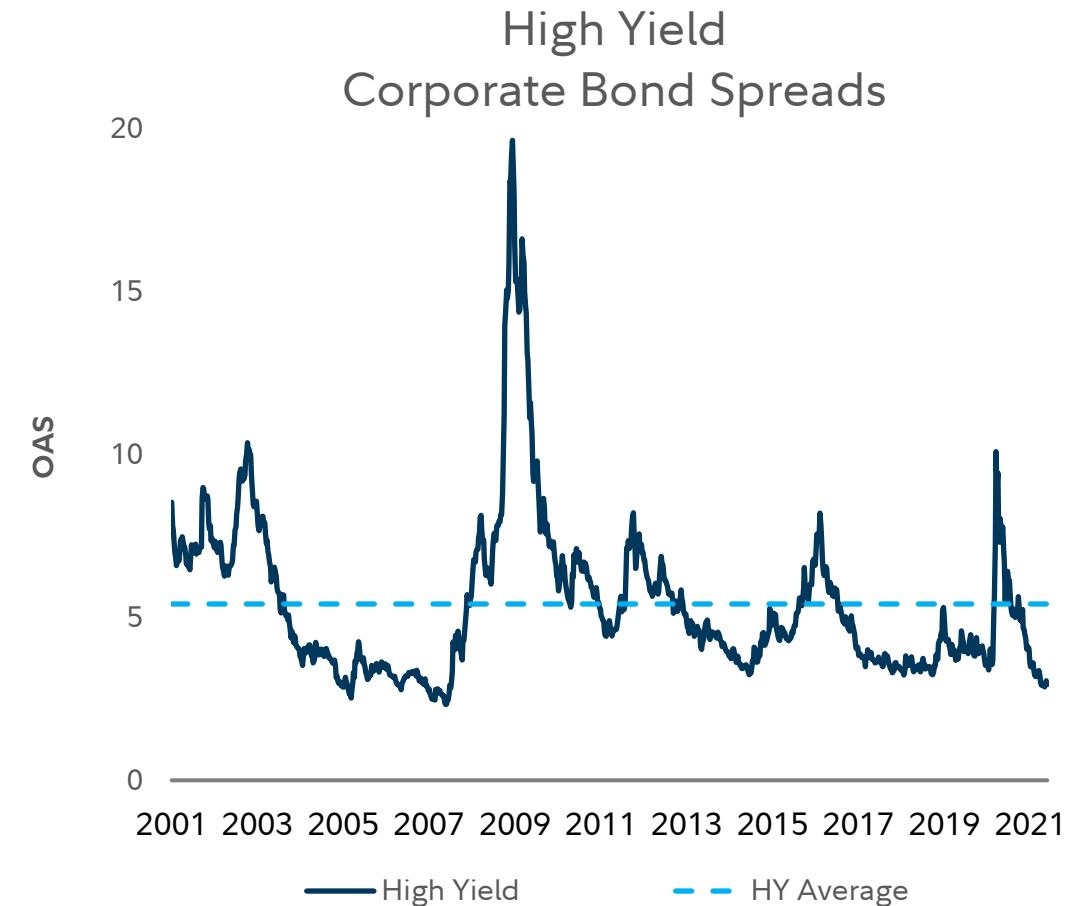
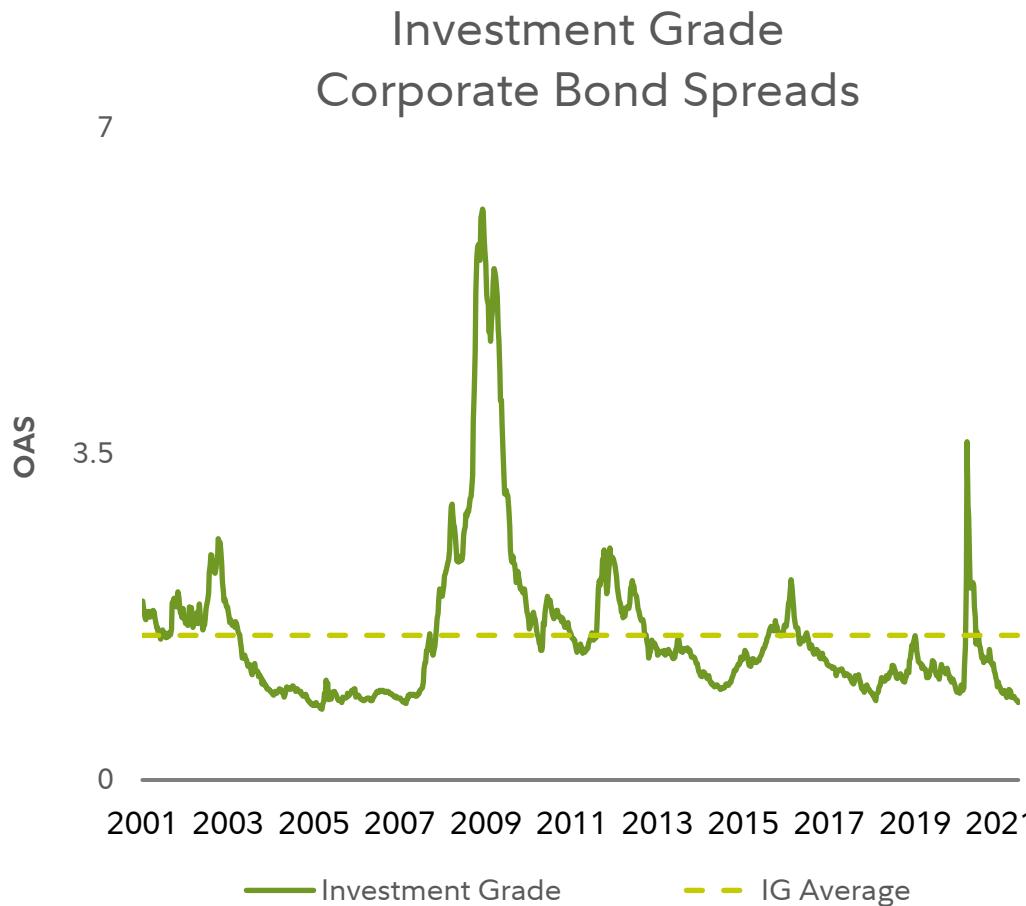


A Deeper Dive
into Pricing & Risk

Fidelity's Tools Can Assist
in Your Research

Corporate Bonds:

Corporate Bond Spreads Return to Historical Averages



Source: Bloomberg Barclay's U.S. Agg Corp Index (Investment Grade – Left Chart) & Bloomberg Barclays's U.S. High Yield Index (High Yield – Right Chart), May 2021
OAS – Option Adjusted Spread

BOND STRUCTURE AND RATINGS

AMERISOURCEBERGEN CORP NOTE

3.25000% 03/01/2025 CALL MAKE WHOLE

[Overview](#) [Price & Performance](#)

Details

CUSIP	03073EAM7
ISIN	US03073EAM75
SEDOL	BVZ6XQ6
Pay Frequency	SEMI-ANNUALLY
Coupon	3.250
Maturity Date	03/01/2025
Moody's Rating	BAA2
S&P Rating	BBB+
Issuer Events	YES
FINRA	YES
Survivor Option	N/A
Bond Type	Corporate
Sector	OTHER INDUSTRIALS
Interest Accrual Date	02/20/2015

Redemptive Features

Call Protection	View Schedule	NO
Continuously Callable		YES
Called Bonds		NO

CREDIT RATINGS HISTORY

Fidelity.com

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Issuer Events

06/04/2021 1:30 PM EDT
OTHER MATERIAL EVENT
REMOVED FROM NEGATIVE S&P CREDIT WATCH ON 06/04/21
06/04/2021 1:30 PM EDT
S&P RATING DOWNGRADE
DOWNGRADED TO BBB+ ON 06/04/21
01/06/2021 11:30 AM EST
OTHER MATERIAL EVENT
NEGATIVE S&P CREDIT WATCH ON 01/06/21
02/20/2015 6:30 AM EST
OTHER MATERIAL EVENT
AMOUNT OUTSTANDING 500000.00 AS OF 02/20/15

Coupon Information

Coupon Type	FIXED
Current Rate Effective Date	02/18/2015
Day Count Basis	30/360
Trading Flat	NO
Reset Frequency	TERM MODE
Benchmark Reference	--
Benchmark Formula	--
Next Reset Date	--
Next Reset Rate	--



Corporate
Bonds:
Dive Deeper
to Assess Risk
Before You Invest

For illustrative purposes only
Source: Fidelity.com, June 2021

Corporate Bonds:

Dive Deeper into Pricing



OFFERED PRICES AND YIELDS

Overview	Price & Performance
Basic Analytics	
Price (Bid)	107.871
Price (Ask)	108.057
Depth of Book	View
Ask Yield to Worst	0.890%
Ask Yield to Maturity	1.039%
Current Yield	3.007%
Yield to Sink	--
Third Party Price	107.647
Spread to Treasuries	0.387
Treasury Benchmark	4 YR. (.500% 03/31/2025)
Recent Trade	View Recent Trades
Price	108.100
Quantity	10
Date/Time	06/07/2021 12:57:06
Buy/Sell	CB

For illustrative purposes only
 Source: Fidelity.com, June 2021

DEPTH OF BOOK AND TRADE HISTORY

AMERISOURCEBERGEN CORP NOTE 3.25000% 03/01/2025 CALL MAKE WHOLE

[Print](#)

Depth of Book as of 06/08/2021 at 10:38 am

Bids				Asks			
Action	Yield	Quantity(Min)	Price	Price	Quantity(Min)	Yield	Attributes
Sell*	0.943	400(10)	107.868	108.065	100(2)	0.888	IE SFP
Sell	0.950	250(5)	107.845	108.120	150(15)	0.875	IE SFP
Sell	0.951	90(2)	107.840	108.142	50(10)	0.866	IE SFP
Sell	0.956	150(10)	107.822				
Sell	0.959	48(2)	107.812				
Sell	0.963	100(10)	107.796				
Sell	0.996	77(30)	107.680				
Sell	1.021	2000(10)	107.591				
Sell	1.056	175(5)	107.467				
Sell	1.065	1000(10)	107.434				
Sell	1.254	500(10)	106.766				
Sell	1.760	10(2)	105.000				

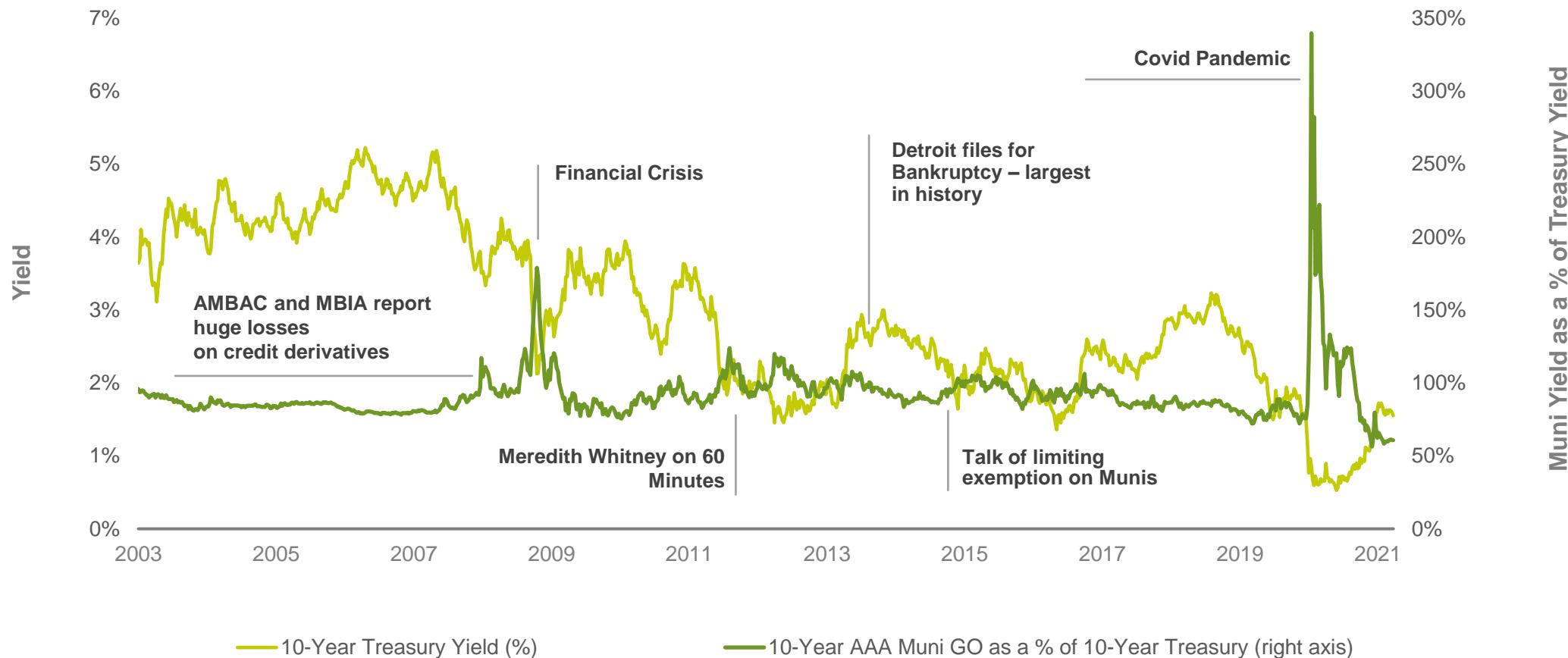
*Indicates best price

Recent Trades

Trade View Options		AS OF 10:38:47 AM ET 06/08/2021 C	
<input checked="" type="checkbox"/> Table	<input type="checkbox"/> Chart	<input checked="" type="checkbox"/> Customer Buy/NMAB	<input checked="" type="checkbox"/> Customer Sell/NMAS
		<input checked="" type="checkbox"/> Dealer to Dealer	?

						Cancel	Rebill
Price	Quantity	Yield	Date		Buy/Sell	Trade Attributes	
108.1	10	0.880	6/7/2021 12:57:06		Customer Buy		
108	10	0.908	6/7/2021 12:57:06		Dealer to Dealer	ATS	
107.913	40	0.934	6/4/2021 13:44:22		Customer Sell		
108.03	25	0.910	6/1/2021 13:27:52		Customer Buy		
107.977	25	0.925	6/1/2021 13:27:52		Dealer to Dealer		

Municipal Bonds: Municipal Yields Compared to Treasury Yields



Past performance is no guarantee of future results.

Source: Thomson Reuters MMD, May 2021

Trade	State	Description	Coupon	Maturity Date	Next Call Date	Rating		Underlying Rating		Bid <small>?</small>		Ask			Depth of Book <small>?</small>	3rd Party Price / Recent Trades	Attributes and Issuer Events
						Moody's	S&P	Moody's	S&P	Yield	Qty(min)	Price Qty(min)	Yield to Worst/Yield to Sink	Yield to Maturity			
Buy Sell	CT	CONNECTICUT ST SPL TAX OBLIG REV TRANSN05.00000% 01/01/2030 INFRASTRUCTURE PURP BDS SER. 2018 A	5.000	01/01/2030	01/01/2028	--	AA-	--	--	--	No Bid --(-)	126.207 40(5)	0.879 --	1.697	--	125.361 View	ME SFP R
Buy Sell	CT	CONNECTICUT ST GO BDS SER. 2020 A 05.00000% 01/15/2030	5.000	01/15/2030	--	AA3	A+	AA3	--	--	No Bid --(-)	132.678 15(5)	1.020 --	1.020		132.675 View	ME CP SFP D GO
Buy Sell	CT	CONNECTICUT ST REVOLVING FD GEN REV05.00000% 02/01/2030 BDS SER. 2019 A	5.000	02/01/2030	02/01/2029	AAA	AAA	AAA	--	--	No Bid --(-)	129.992 15(15)	0.926 --	1.317	--	130.083 View	ME SFP R
Buy Sell	CT	HARTFORD CNTY CONN MET DIST GO BDS SER. 02.25000% 02/01/2030 2016 A	2.250	02/01/2030	02/01/2025	AA3	AA	AA3	--	--	No Bid --(-)	104.223 10(10)	1.064 --	1.722	--	103.348 View	ME SFP GO
Buy Sell	CT	RIDGEFIELD CONN GO BDS SER. 2012 02.37500% 02/15/2030	2.375	02/15/2030	07/09/2021	AAA	AAA	AAA	--	--	No Bid --(-)	100.450 5(5)	-3.165 --	2.317	--	100.087 View	ME SFP GO
Buy Sell	CT	UNIVERSITY CONN GO REF BDS SER. 2020 A 01.50000% 02/15/2030	1.500	02/15/2030	--	AA3	A+	AA3	--	--	No Bid --(-)	101.851 25(25)	1.274 --	1.274	--	101.711 View	ME CP SFP R
Buy Sell	CT	CONNECTICUT ST GO BDS SER. 2015A 03.25000% 03/15/2030	3.250	03/15/2030	03/15/2025	AA3	A+	AA3	--	--	No Bid --(-)	107.912 5(5)	1.098 --	2.250		108.530 View	ME SFP D GO

Municipal Bonds:

A Range of Issuers & Risk/Return Within a State

For illustrative purposes only

Source: Fidelity.com, June 2021

Table shows Connecticut secondary offerings

MIDDLETOWN CONN GO BDS SER. 2

05.00000% 04/01/2028

	Overview	Price & Performance	News & Documents
Details			
CUSIP 596884XC5 Pay Frequency SEMI-ANNUALLY Coupon 5.000 Maturity Date 04/01/2028 Insurer N/A Obligor -- Material Events YES EMMA YES Bond Type Municipal Interest Accrual Date 04/12/2018			
Redemptive Features			
Call Protection	YES		
Continuously Callable	--		
Call Defeased	--		
Called Bonds	NO		
Make Whole Call	NO		
Conditional Call	NO		
Sinking Fund Protection	YES		

Fidelity.com

Material Events
View documents on EMMA

02/11/2021 8:00 AM EST
FINANCIALS FILED
2020 OPERATING DATA (CITY O FYE
06/30/20)

02/11/2021 8:00 AM EST
FINANCIALS FILED
2020 CAFR (CITY OF MIDDLETO FYE
06/30/20)

02/10/2021 4:24 PM EST
FIN OBLIG INCURRENCE DEBT OBLIG
INCURRENCE OF FIN OBLIG AS OF 01/29/21

01/09/2020 1:46 PM EST
FINANCIALS FILED
2019 OPERATING DATA (CITY O FYE
06/30/19)

01/09/2020 1:46 PM EST
FINANCIALS FILED
2019 CAFR (CITY OF MIDDLETO FYE
06/30/19)

01/24/2019 4:45 PM EST
FINANCIALS FILED
2018 OPERATING DATA: CITY O FYE
06/30/18)

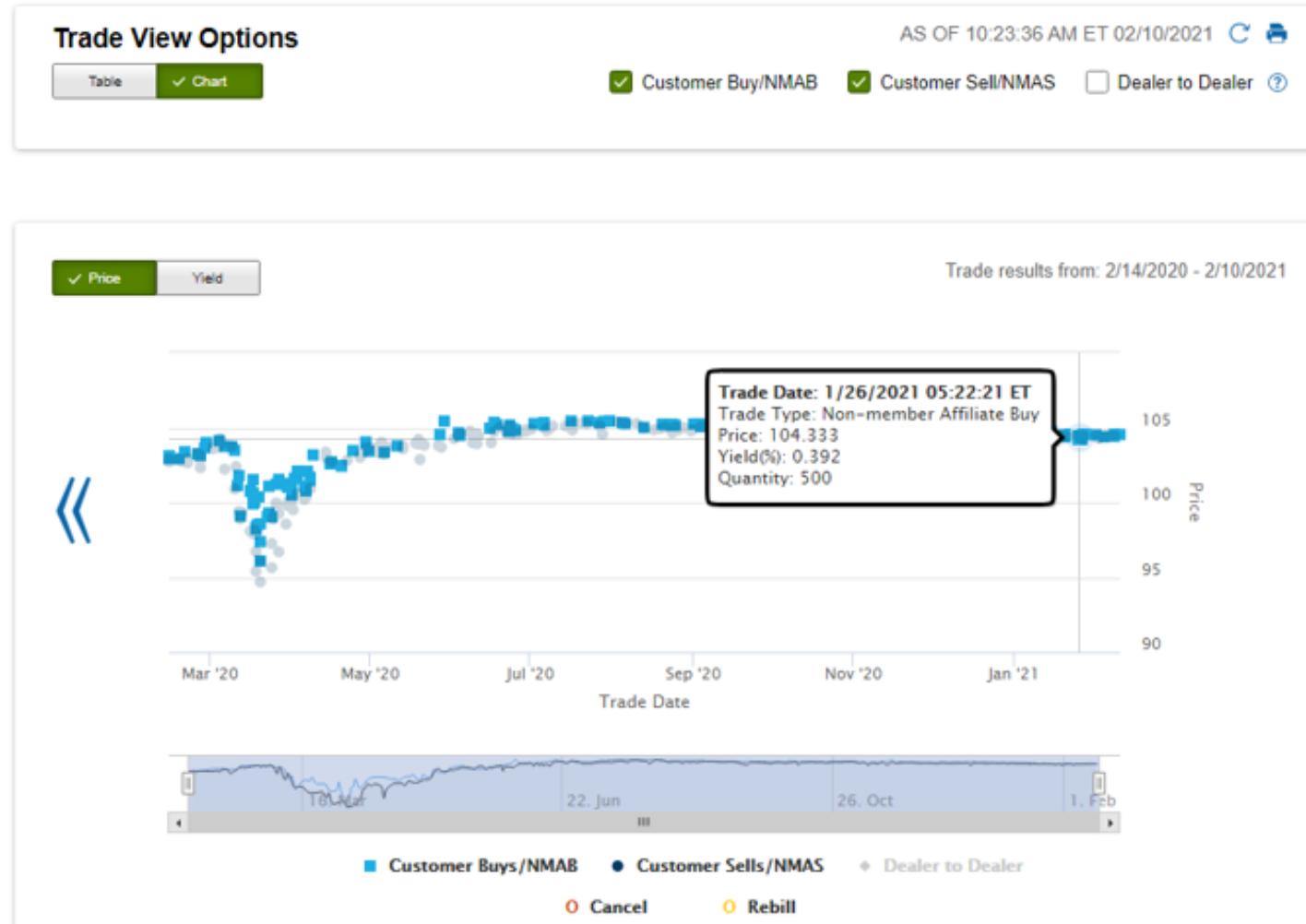
Municipal Bonds:

Check Material Events for Other Important News

For illustrative purposes only
Source: Fidelity.com, June 2021

Recent Trade Charts for Municipal & Corporate Bonds

TOYOTA MTR CR CORP MTN CALL MAKE WHOLE 2.62500% 01/10/2023



Municipal & Corporate Bonds:

Research Bond-Specific Information

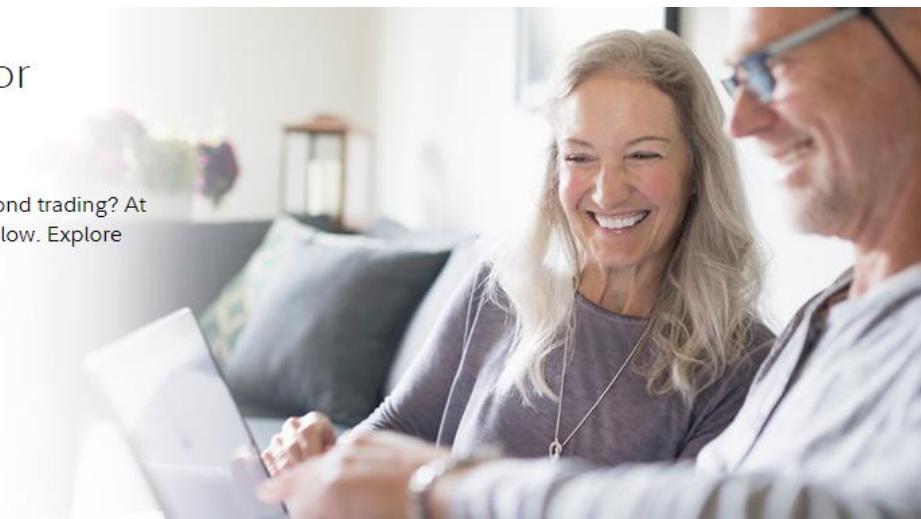
For illustrative purposes only

Source: Fidelity.com, February 2021

Don't get overcharged for bonds

Do you know how much your broker charges for bond trading? At Fidelity, our bond pricing is clear, transparent, and low. Explore our bonds, or learn more below.

[Search for Bonds](#)



Why pay more?

	Wells Fargo Price average higher vs Fidelity	Morgan Stanley Price average higher vs Fidelity	Merrill Lynch Price average higher vs Fidelity
1 Corporate bond	\$20.16	\$22.10	\$9.15
1 Municipal bond	\$10.96	\$16.14	\$13.81
Example trade of 22 bonds	\$240-\$440	\$355-\$485	\$200-\$300

The average price differentials per bond in the table are taken from a [March 2020 study by Corporate Insight](#),* which was commissioned by Fidelity. This illustrates how you could save an average of \$15 per bond by choosing Fidelity versus potentially spending more elsewhere.

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](#) 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.

Markup - For secondary market bonds and CD purchases, the difference (dollar and %) between the Prevailing Market Price (PMP) and the trade price. Mark-up is calculated as: Mark-up / Total initial price x 100. The mark-up includes, but may not be limited to, Fidelity's \$1 per bond pricing. Details available on our fee schedule.



Pricing: Fidelity's \$1 Per Bond Transaction Costs Are Very Competitive

Online:

[Fidelity Viewpoint: How much am I paying for my bonds?](#)

For illustrative purposes only

Source: Fidelity.com, June 2020

See disclosure on page 43 for details on this study

Insights: Market Commentary from Fidelity and Independent Sources



How much am I paying for my bonds?

You may be surprised by how mark-ups vary—and how they impact yields.

FIDELITY VIEWPOINTS – 06/02/2020



Key takeaways

- ✓ Mark-ups are dealer commissions bundled into the price of bonds.
- ✓ Many investors don't know how much dealers mark up bonds—or even if they're paying a mark-up at all.
- ✓ Mark-ups reduce a bond's yield, thereby reducing the buyer's total returns.
- ✓ There are ways to determine the amount of dealer mark-ups so you can find the lowest-cost provider.

For illustrative purposes only

Source: Fidelity.com, July 2020 & March 2021

MARCH 2021

PIMCO

Monthly Municipal Market Update

Month in review

The U.S. stock market closed out the first quarter of 2021 by posting its second straight month of positive returns, with the S&P 500 index experiencing its strongest month since November.¹ The sentiment surrounding the U.S. economy appears largely positive in light of continued federal aid, an accelerating COVID-19 vaccine distribution program, and the Federal Reserve's optimism for economic recovery. President Biden also unveiled a \$2.25 trillion U.S. infrastructure spending plan on the month's final day.² March's events largely spurred investors to trade out of longer-term U.S. government bonds, driving U.S. Treasury yields up by 23–29 basis points (bps) at the 10-year tenor and beyond.³

Municipal bonds experienced a relatively lively month. Following a rally in the first half of the month, munis saw a sharp two-day sell off, before rallying once again in the month's penultimate week. Interestingly, while U.S. Treasuries yields ended the month up across the majority of the curve, AAA Municipal Market Data (MMD) yields closed March with single-digit declines at all tenors. The 10-year tenor of the AAA MMD curve closed the month at 1.12%, down two bps from the previous month end.⁴ After four months of inflows, Lipper reported a weekly outflow of \$605 million from municipal bond funds in the first week of March, although this was followed by four additional weeks of inflows.⁵ In March, \$42.4 billion of total municipal debt came to market, representing a 21% increase over the previous month. However, taxable municipal issuance totaled just \$8.8 billion, a 25% decline from the \$11.8 billion brought to market in February.^{6*}

- The Federal Open Market Committee (FOMC) met in March, with Committee members voting to extend the Fed's asset purchase

program and keep short-term interest rates at their current near-zero level. While the Committee maintained its stance that rate hikes are unlikely through 2023, Fed policymakers did acknowledge improvements to GDP growth and unemployment estimates. Fed Chair Jerome Powell commented that he expects inflation will rise this year but likely not enough to modify the Fed's current policy, which targets inflation above 2% for some time.⁷

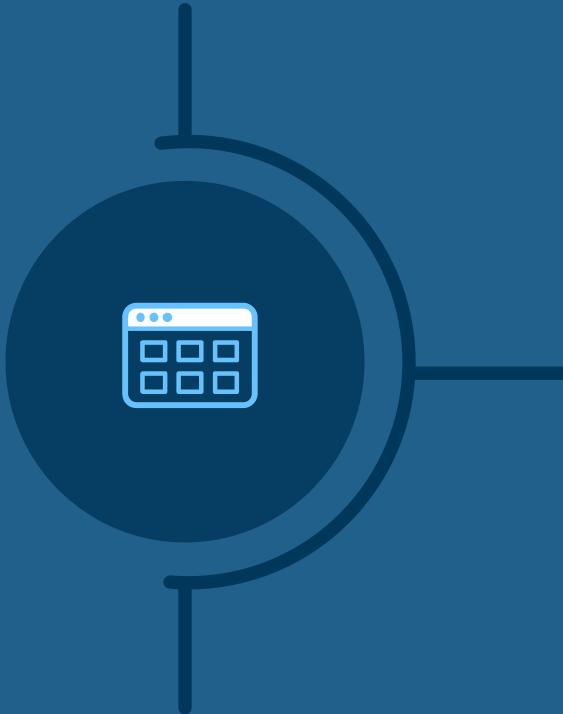
- Tax-exempt municipal bonds posted positive returns in March. The Bloomberg Barclays Municipal Bond Index returned 0.62%, while the Bloomberg Barclays High Yield Municipal Bond Index gained 1.08%, bringing year-to-date total returns for the two indices to -0.35% and 2.11%, respectively. In sharp contrast, the Bloomberg Barclays Taxable Municipal Index returned -1.54% in March, dragging the year-to-date total return for the index down to -3.47%.⁸

- Because U.S. Treasury bond yields generally rose and U.S. municipal bond yields fell through March, municipal/Treasury ratios beyond the 1-year tenor closed the month at lower levels than February. At month-end, ratios equated to 150% at the one-year tenor (flat), 54% at the five-year tenor (down from 74%), 64% at the 10-year tenor (down from 79%), and 72% at the 30-year tenor (down from 82%).⁹

- March was the busiest month for municipals in the secondary market since April of last year. Trades for the month totaled just under 771,000 (up from ~649,000 in February), with par traded amounting to \$223 billion (up from \$192 billion in February).¹⁰

Viewing Fidelity Bond Tools & Strategies

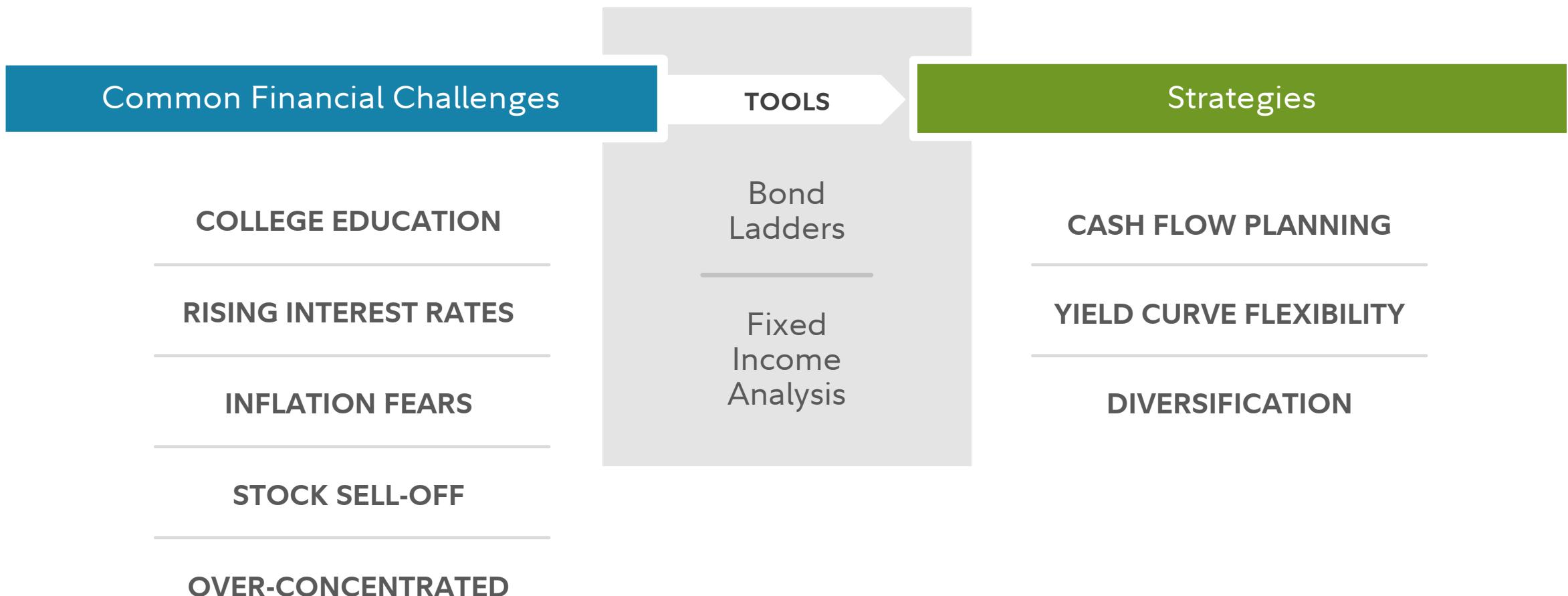
Using Investment
Strategies to
Manage Wealth



Bonds Are a Series
of Cash Flows

Diversifying Across
Bond Types & Sectors

Using Bond Strategies to Manage Your Wealth



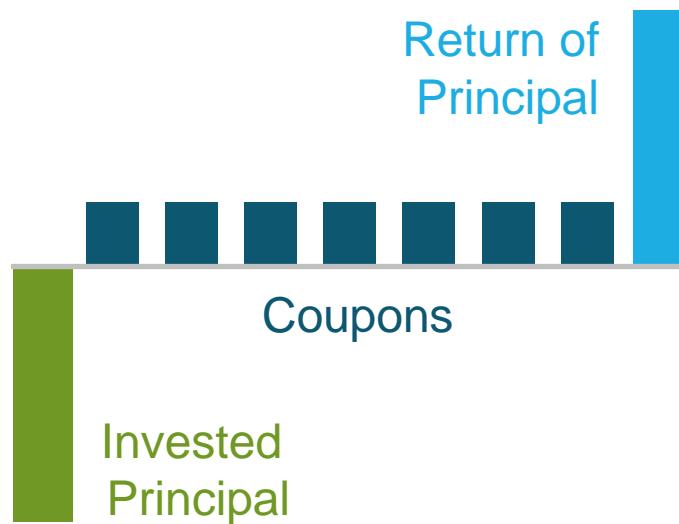
A Bond Is a Series of Cash Flows that Can Be Mixed with Others



A bond's projected cash flows

TOOLS

A ladder's cash flow projection



Search Results

Summary Calculations¹

[Export to Fixed Income Analysis](#) | [Create PDF](#)

Principal Cost \$395,937.23

Total Par Value \$340,000.00

Average Yield 0.95%

Accrued Interest \$3,546.65

Average Coupon Rate 3.27%

Average Price \$116.39

Principal Gain/Loss (\$55,937.23)

Average Maturity (Years) 7.54

Annual Interest \$11,108.50

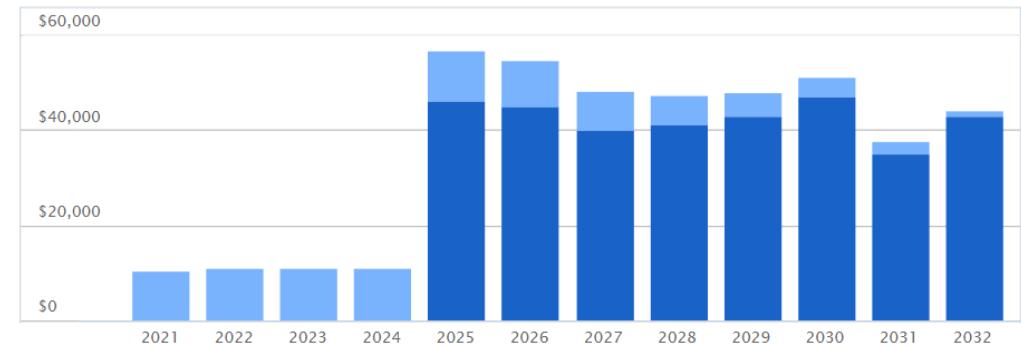
[Overview](#)

[Estimated Interest & Principal Chart](#)

[How the Bond Ladder Tool Works](#)

[Monthly](#) | [Annually](#)

■ Estimated Interest ■ Principal



For illustrative purposes only. Source: Fidelity.com, February 2021.
Past performance is no guarantee of future results.

College Education



Plan the Exact Year and Month Your Bonds Will Maturity

Spend in future defined period

TOOLS

Ladder with matching maturities

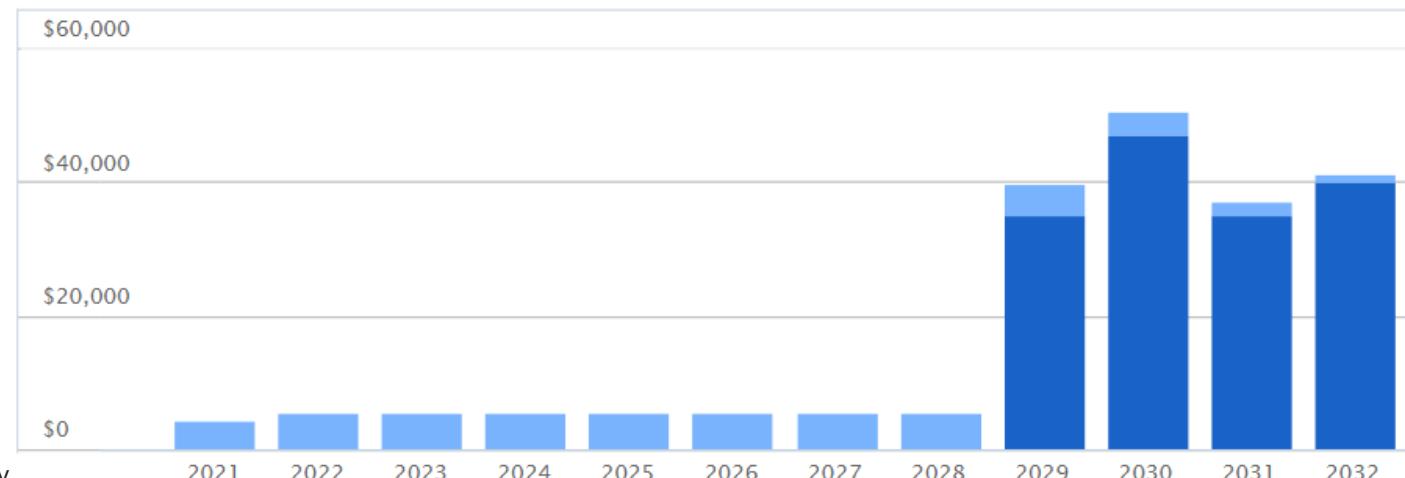
Overview

Estimated Interest & Principal Chart

How the Bond Ladder Tool Works

Monthly | Annually

Estimated Interest Principal



For illustrative purposes only
Source: Fidelity.com,
February 2021.

Past performance is no
guarantee of future results.

Rising Interest Rates / Inflation Fears



A Short-Dated Ladder Allows You to Reinvest Sooner

Higher rates in the future

TOOLS

Ladder with short maturities

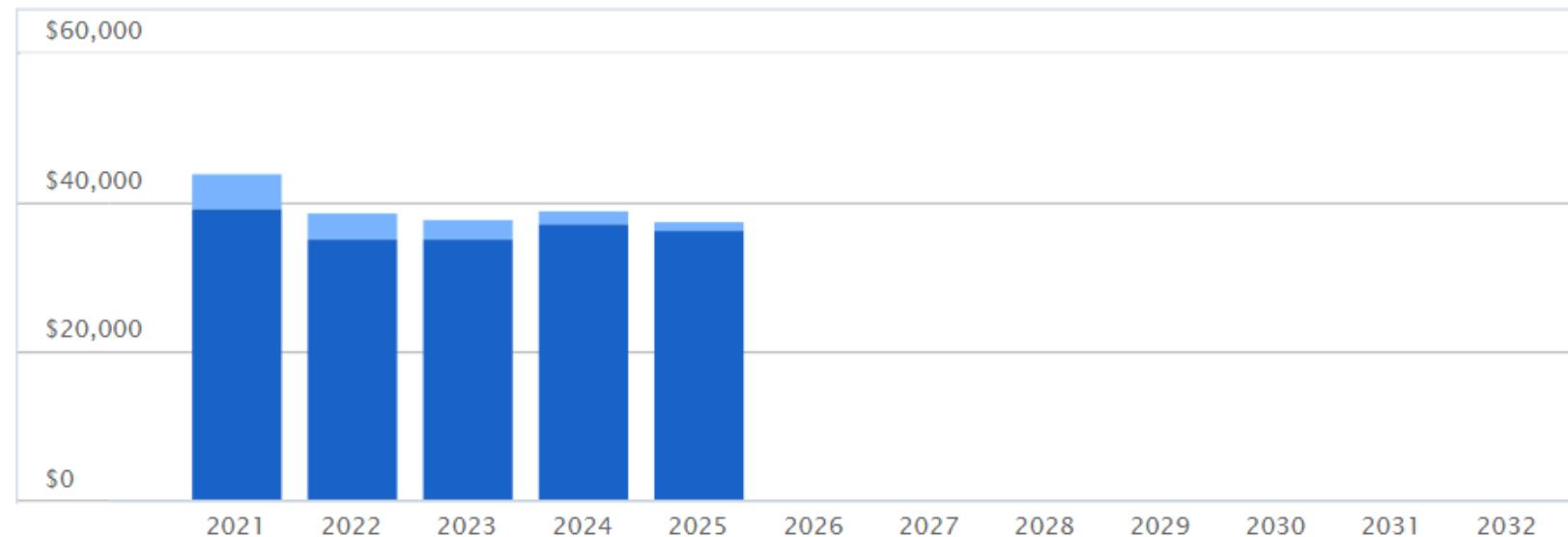
Overview

Estimated Interest & Principal Chart

How the Bond Ladder Tool Works

Monthly | Annually

Estimated Interest Principal



For illustrative purposes only
Source: Fidelity.com,
February 2021. Past
performance is no guarantee
of future results.

Stock Sell-Off



Certain Bond Types Are Less Correlated with Stocks than Others

Earn a return, inverse correlation

TOOLS

Fixed income market data

Bond Product Type ¹	Correlation ² vs S&P 500
Treasury	(0.40)
U.S. Aggregate	(0.20)
Mortgage-Backed Securities	(0.13)
Municipal Bonds	(0.12)
Inv. Grade Corporate Bonds	(0.07)
Emerging Market Bonds	0.46
High Yield Corporates	0.60

For illustrative purposes only

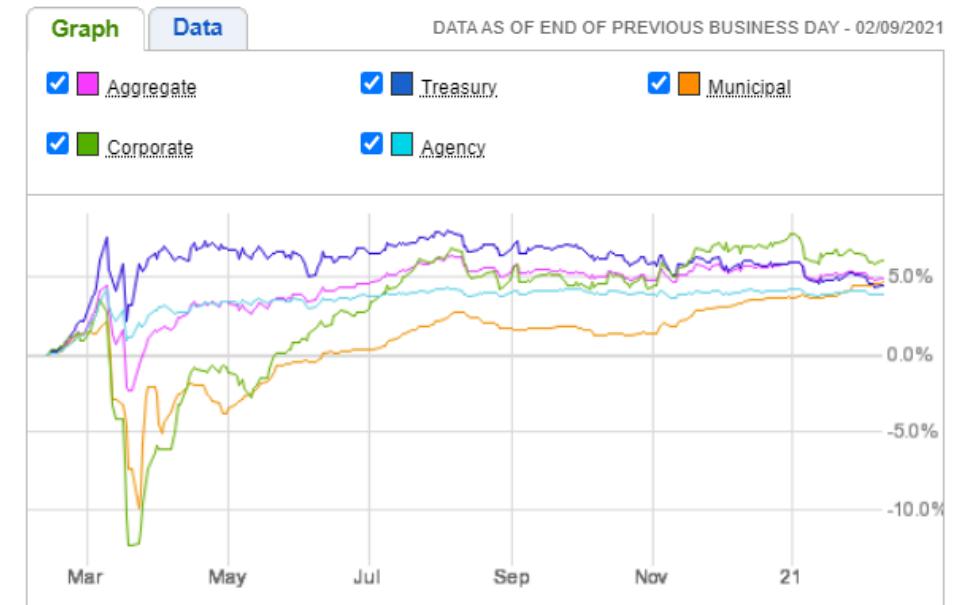
(1) Source: Morningstar using Bloomberg Barclays indices

(2) Correlations 12/31/2002 – 12/31/2020

Past performance is no guarantee of future results

Fixed Income Market Data

[Yield Curve](#) | [Key Rates](#) | [Market Benchmarks](#)



Market data provided by [Factset](#). Powered and implemented by [FactSet Digital Solutions](#). Legal Statement.

S&P 500 return over same period (2/11/20 – 2/10/21) was 16.8%. Source: Fidelity.com
Aggregate – Bloomberg Barclays Aggregate Bond Index, Treasury – Bloomberg Barclays Aggregate Bond Index Treasury, Municipal – Bloomberg Barclays Municipal Bond Index, Corporate – Dow Jones Corporate Bond Index, Agency - Bloomberg Barclays Aggregate Bond Index Agency (see index definitions on page 44)

Over Concentrated

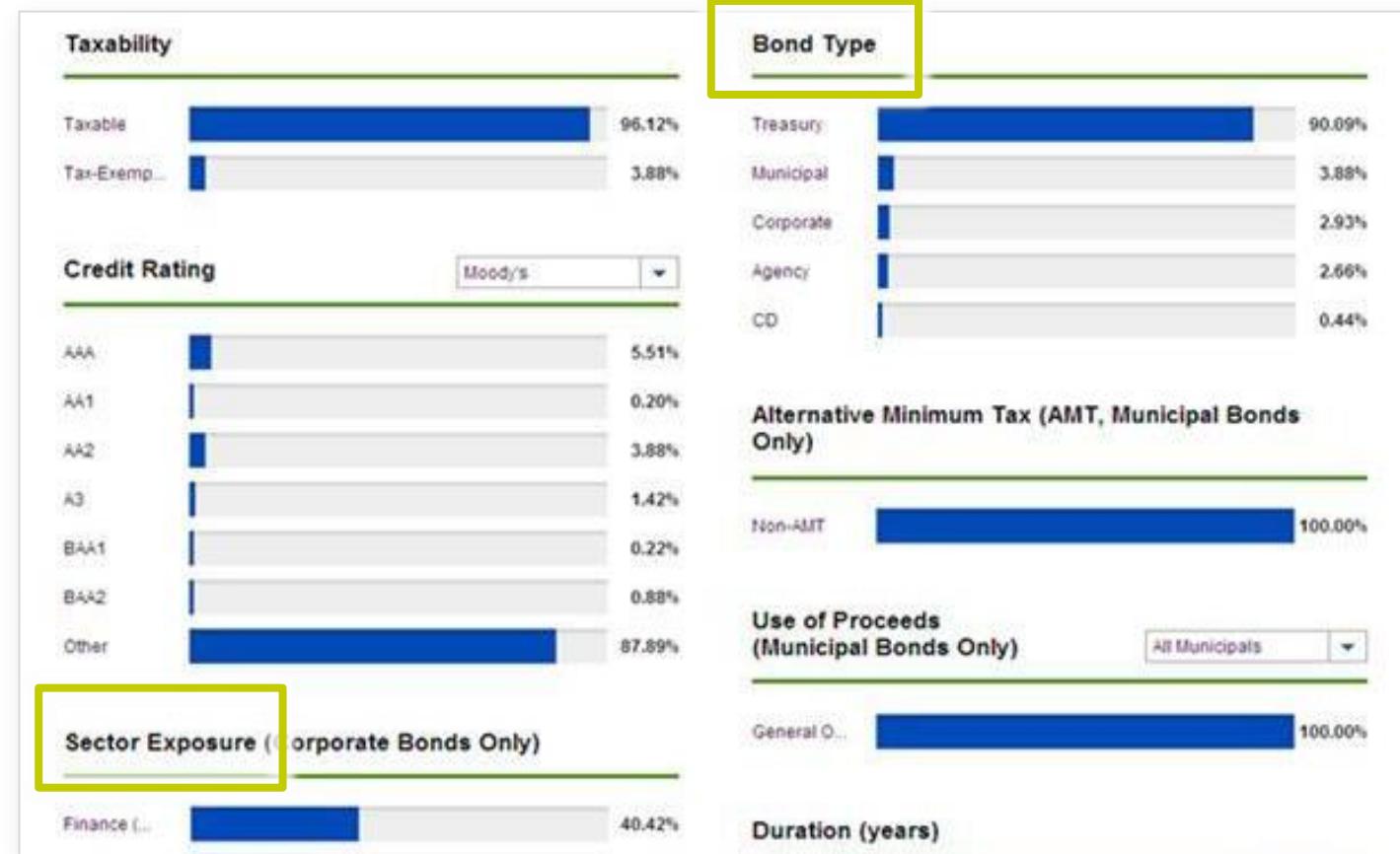


Use Fixed Income Analysis to Help Diversify Across Types and Sectors

Bond type & sector type

TOOLS

Fixed income analysis: Diversify



For illustrative purposes only
Source: Fidelity.com, January 2016. Past performance is no
guarantee of future results.



In Review

Next Steps



Review Our Online Resources

Fidelity's Fixed Income Tools

↳ fidelity.com/fixedincome/tools

Fidelity's Research Page

↳ fidelity.com/fixedincome/research

Attend additional seminars:

- Demystifying Bond Selection for Your Portfolio
- Understanding Bond Pricing
- Using Fidelity's Fixed Income & Bond Investing Tools



How Fidelity Can Help



Create a more effective, overall fixed income investment strategy

Available resources include:

- Your local Financial Consultant
- A local Fixed Income Consultant
- A Fixed Income Specialist at
800-544-5372

With a more sophisticated understanding of the bond landscape, you can make empowered decisions to help you grow your portfolio.

A composite image showing a couple in a living room and a financial advisor in an office. The couple is on the left, looking at a tablet together. The financial advisor is on the right, also looking at a tablet. Both are smiling and appear to be discussing something. The background is a blurred office environment.

The Advantage of Working with Us

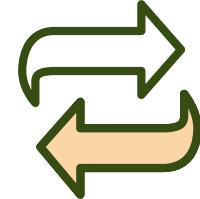
Why Fidelity



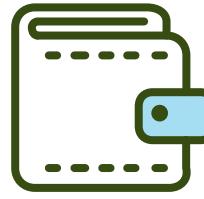
**WE BELIEVE IN MAKING
THE COMPLEX, SIMPLER**



Planning
and Advice



Trading



Straightforward
Pricing



Expert Insights
and Investing
Tools



Security and
Protection

Important additional information



Investing involves risk, including risk of loss.

\$0.00 commission applies to online U.S. equity trades, exchange-traded funds (ETFs), and options (+ \$0.65 per contract fee) in a Fidelity retail account only for Fidelity Brokerage Services LLC retail clients. Sell orders are subject to an activity assessment fee (from \$0.01 to \$0.03 per \$1,000 of principal). There is an Options Regulatory Fee (from \$0.03 to \$0.05 per contract), which applies to both option buy and sell transactions. The fee is subject to change. Other exclusions and conditions may apply. See Fidelity.com/commissions for details. Employee equity compensation transactions and accounts managed by advisors or intermediaries through Fidelity Clearing & Custody Solutions® are subject to different commission schedules.

Options trading entails significant risk and is not appropriate for all investors. Certain complex options strategies carry additional risk. Before trading options, please read Characteristics and Risks of Standardized Options. Supporting documentation for any claims, if applicable, will be furnished upon request.

Fidelity now offers the Fidelity ZERO Total Market Index Fund (FZROX), Fidelity ZERO International Index Fund (FZILX), Fidelity ZERO Large Cap Index Fund (FNILX), and Fidelity ZERO Extended Market Index Fund (FZIPX) available to individual retail investors who purchase their shares through a Fidelity brokerage account.

Zero account minimums and zero account fees apply to retail brokerage accounts only. Expenses charged by investments (e.g., funds, managed accounts, and certain HSAs), and commissions, interest charges, or other expenses for transactions, may still apply. See Fidelity.com/commissions for further details.

Other fees and expenses may also apply to straight forward pricing.

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.

Interest income earned from tax-exempt municipal securities generally is exempt from federal income tax, and may also be exempt from state and local income taxes if the investor is a resident in the state of issuance. A portion of the income received may be subject to federal and state income taxes, including the federal alternative minimum tax. In addition, investors may be subject to tax on amounts recognized in connection with the sale of municipal bonds, including capital gains and "market discount" taxed at ordinary income rates. "Market discount" arises when a bond is purchased on the secondary market for a price that is less than its stated redemption price by more than a statutory amount. Before making any investment, investors should review the official statement for the relevant offering for additional tax and other considerations.

Disclosures



The tax information contained herein is general in nature, is provided for informational purposes only, and should not be construed as legal or tax advice. Fidelity does not provide legal or tax advice. Fidelity cannot guarantee that such information is accurate, complete, or timely. Laws of a particular state or laws that may be applicable to a particular situation may have an impact on the applicability, accuracy, or completeness of such information. Always consult an attorney or tax professional regarding your specific legal or tax situation.

References to specific securities are for illustrative purposes only and should not be construed as recommendations or investment advice.

A bond 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 bond 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.

Diversification does not ensure a profit or guarantee against loss.

1. (from page 27) Fidelity commissioned Corporate Insight to study bond pricing, available online, for self-directed retail investors from three brokers that offer corporate and municipal bonds for comparison to Fidelity's standard online pricing. The [study](#) compared online bond prices for more than 27,000 municipal and corporate inventory matches from January 28 through March 2, 2020. It compared municipal and corporate inventories offered online in varying quantities. The study found that, on average, the three online bond brokers identified in the chart were asking \$15.41 more per bond. Corporate Insight determined the average price differential by calculating the difference between the prices of matching corporate and municipal bond inventory at Fidelity, including Fidelity's \$1 per bond mark-up for online trades vs. the prices offered online for the same bonds from the three brokers in the table, then averaging the differences of the financial services firms. An order size of 22 bonds was selected to illustrate the hypothetical trade because this is the average for Fidelity's retail brokerage account holders who purchased individual municipal or corporate bonds during 2019. The analysis included investment grade corporate and municipal bonds only, as the three brokers in the study do not offer non-investment grade bonds for purchase online.

Past performance is no guarantee of future results.

Disclosures



All indexes are unmanaged, and performance of the indexes includes reinvestment of dividends and interest income, unless otherwise noted. Indexes are not illustrative of any particular investment, and it is not possible to invest directly in an index.

Bloomberg Barclays U.S. High Yield Index is a market value-weighted index that covers the universe of dollar-denominated, fixed-rate, non-investment grade debt.

Bloomberg Barclays Emerging Market Bond Index is an unmanaged index that tracks total returns for external-currency-denominated debt instruments of the emerging markets.

Bloomberg Barclays U.S. Corporate Investment Grade Index is a market value-weighted index of investment-grade corporate fixed-rate debt issues with maturities of one year or more.

Bloomberg Barclays U.S. TIPS Index is an unmanaged index that consists of inflation-protected securities issued by the U.S. Treasury.

Bloomberg Barclays Municipal Bond Index is an unmanaged index that includes investment-grade, tax-exempt, and fixed-rate bonds with maturities greater than two years selected from issues larger than \$75 million.

The Bloomberg Barclays U.S. Mortgage Backed Securities (MBS) Index tracks agency mortgage backed pass-through securities (both fixed-rate and hybrid ARM) guaranteed by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC). The index is constructed by grouping individual TBA-deliverable MBS pools into aggregates or generics based on program, coupon and vintage. Introduced in 1985, the GNMA, FHLMC and FNMA fixed-rate indices for 30- and 15-year securities were backdated to January 1976, May 1977, and November 1982, respectively. In April 2007, agency hybrid adjustable-rate mortgage (ARM) pass-through securities were added to the index.

Bloomberg Barclays U.S. Aggregate Index is an unmanaged index that tracks domestic investment-grade bonds, including corporate, government, and mortgage-backed securities.

Bloomberg Barclays U.S. Treasury Index is a market value-weighted index of public obligations of the U.S. Treasury with maturities of one year or more.

The Bloomberg Barclays Municipal Bond Index is an unmanaged market value-weighted index of investment-grade municipal bonds with maturities of one year or more.

BofA Merrill Lynch US High Yield Master II Index tracks the performance of US dollar denominated below investment grade rated corporate debt publicly issued in the US domestic market. Each security must have greater than 1 year of remaining maturity, a fixed coupon schedule, and a minimum amount outstanding of \$100 million.

The S&P 500® is an unmanaged market value-weighted index including 500 leading companies and captures approximately 80% coverage of available market capitalization.

Fidelity Investments is not affiliated with either Tradeweb Direct or Interactive Data Corporation.

Before investing, consider the funds' investment objectives, risks, charges, and expenses. Contact Fidelity for a prospectus or, if available, a summary prospectus containing this information. Read it carefully.

Thank you for attending.



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