IR+M

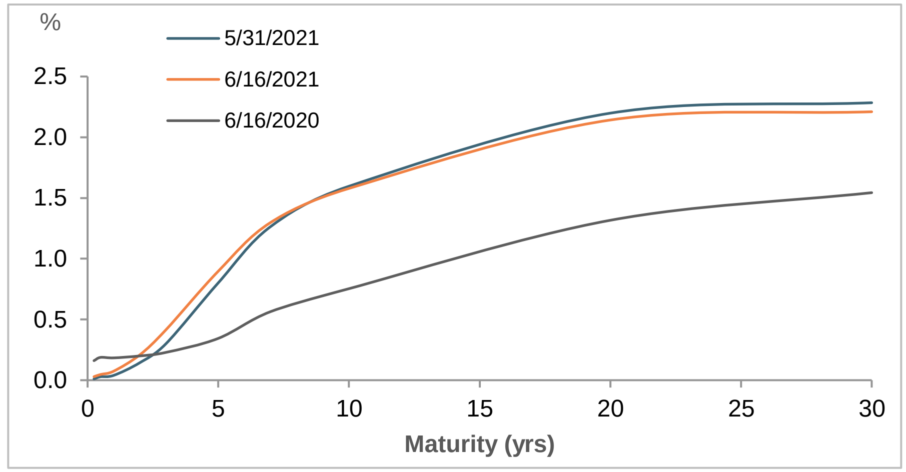
INCOME RESEARCH + MANAGEMENT

IR+M CLIENT UPDATE

June 11 – June 17, 2021

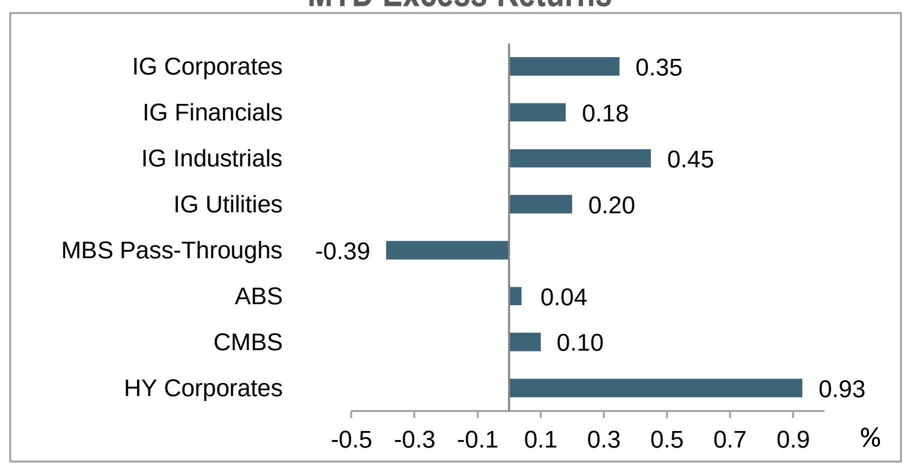
- The Federal Reserve (Fed) acknowledged the economy was recovering at a quicker pace, and the more hawkish tone caused varied performance across risk assets
- FOMC meeting minutes showed median projections of the fed funds rate at 0.60% by the end of 2023, an increase of two rate hikes from March
  - Chairman Jerome Powell stated that the tapering of its $120 billion monthly bond purchases remained “a ways away” but that the Fed will discuss the appropriate time to scale back in its upcoming meetings
  - The Fed still believes that the factors pushing up inflation, with CPI up 5% year-over-year, are temporary and the result of re-openings, and should recede as supply normalizes with demand
  - The 5-year Treasury jumped 12bps to 0.90% on the announcement, its biggest one-day jump since February, while the 10-year Treasury increased 9bps, closing at 1.58%
- Investment-grade issuers priced about $23 billion - within expectations of $20-25 billion – with most of the supply coming ahead of Wednesday’s FOMC meeting
  - Investment-grade spreads tightened 4bps on the lighter issuance, from 85bps to 81bps, the lowest level in over 16 years
- High-yield supply was approximately $10 billion, dominated by borrowers tapping the primary market to fund acquisitions
  - Buoyed by investor demand, high-yield spreads tightened from 291bps to 280bps, the lowest level since May 2007
- Mortgage-backed securities (MBS) underperformed other securitized sectors driven by expectations of a Fed taper
- Municipals continued to outperform Treasuries, as the 10-year muni/Treasury ratio fell to 57%

Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
6/16/2021	0.21	0.90	1.58	2.14	2.21
MTD Change	0.07	0.10	-0.02	-0.06	-0.07

MTD Excess Returns



Sources: Bloomberg Barclays, Bloomberg, and Bloomberg Index Services Limited

Excess returns are the curve-adjusted excess return of a given index relative to a term-structure matched position in Treasuries.