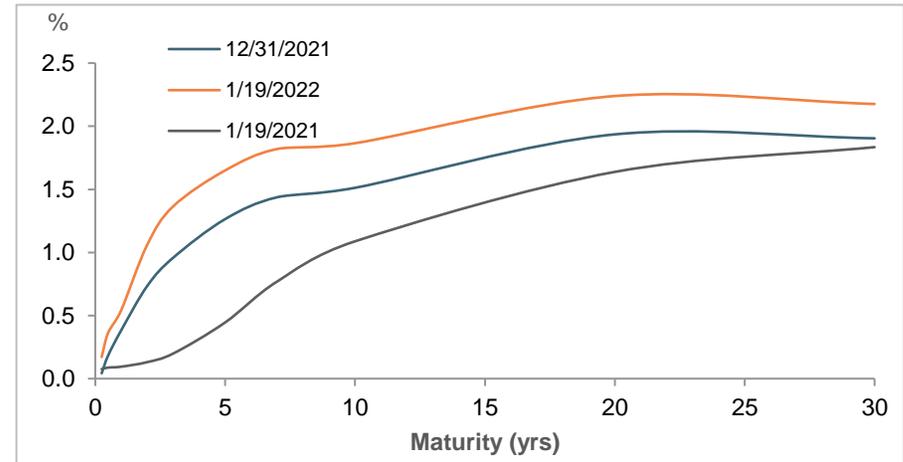




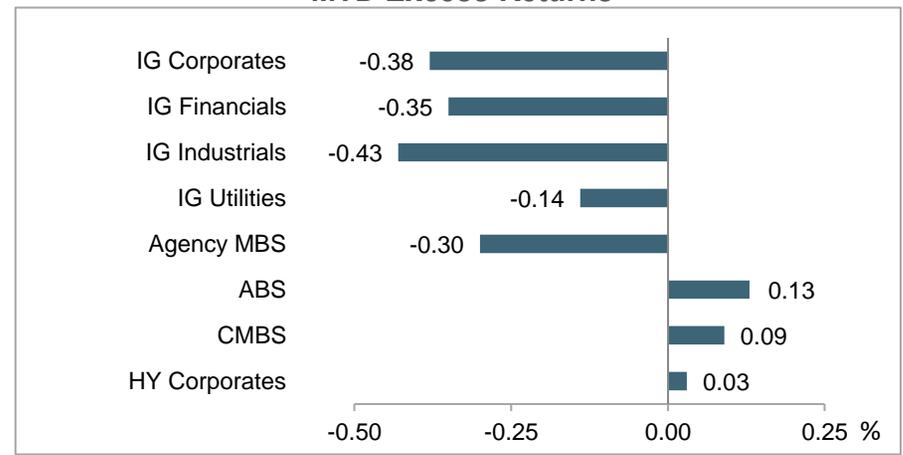
- Market expectations of Federal Reserve (Fed) action to combat elevated inflation drove fixed income and equity markets lower; economic releases were mixed as the impact of Omicron began to show up in the data
 - Jobless claims rose to a three-month high of 286,000, likely driven by seasonal factors as well as an increase in COVID-related business disruptions
 - The Philadelphia Fed Business Outlook Survey beat expectations in January, indicating an increase in manufacturing activity after a sharp drop-off in December
- Treasury yields continued their ascent on growing expectations of additional monetary policy tightening by the Fed
 - Markets are pricing in at least one rate hike at the March meeting and four total in 2022
 - The curve continued to flatten, with the 2-year yield up 7bps to 1.06%, while the 10-year rose 5bps to 1.87%
- Investment grade corporate issuance of \$38 billion surpassed projections of \$35 billion, with most of the supply coming from banks; corporate spreads widened 3bps to 97bps
 - Although rising rates and heavy supply weighed on corporate spreads, demand for new issue remains robust, suggesting investors have cash to put to work
- The high yield primary market slowed, with only \$525 million priced as issuers were cautious amidst the broader equity market weakness
 - The Bloomberg High Yield Index yield rose from 4.45% to 4.68% and spreads widened 9bps to 295bps
- Agency mortgage-backed securities (MBS) underperformed other securitized sectors, driven by extension fears due to rising mortgage rates and concerns the Fed may begin to reduce its balance sheet
- Municipal bonds continued to attract investor interest, as municipal bond mutual funds and ETFs saw inflows of over \$2.2 billion year-to-date

Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
1/19/2022	1.06	1.65	1.87	2.24	2.18
MTD Change	0.33	0.39	0.36	0.30	0.27

MTD Excess Returns



Sources: 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.

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