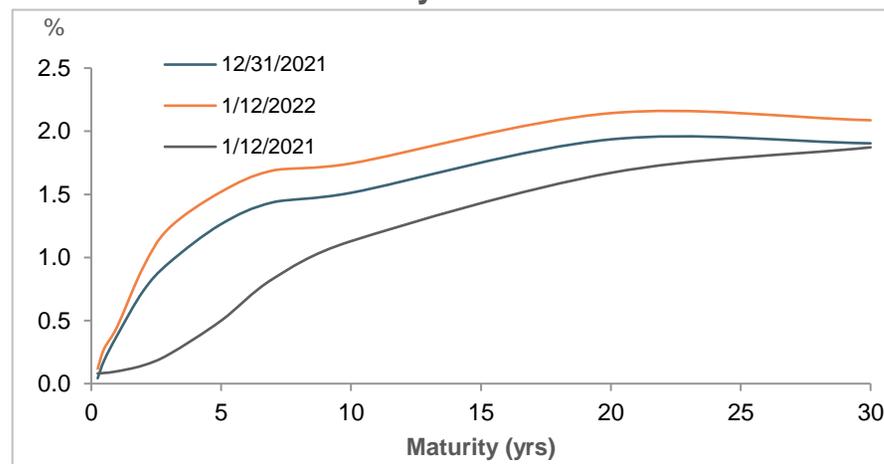




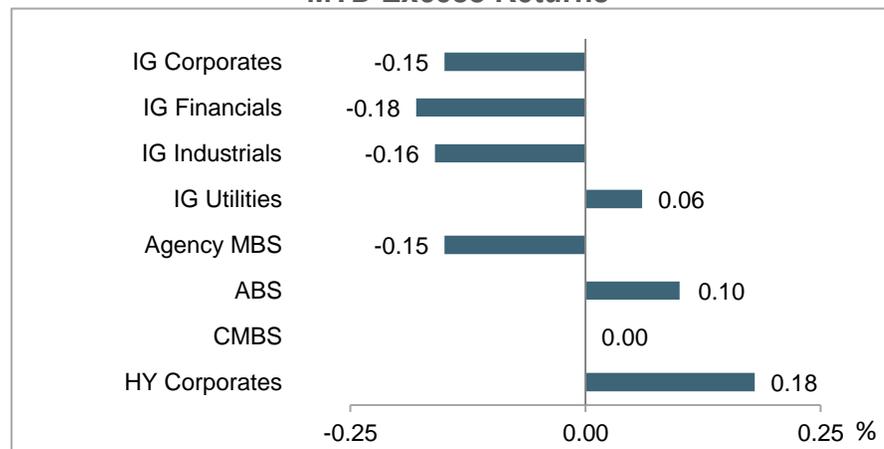
- Volatility hit equity markets and bond yields fell following the release of the hottest inflation reading in nearly four decades, which was in-line with expectations
 - CPI rose 7% in December, the fastest annual pace since 1982 and the third straight month in which annualized inflation exceeded 6%; core CPI, which excludes food and energy, increased to 5.5%, the highest rate since February 1991
 - Much of the inflationary surge over the year has been driven by autos, with the price of new vehicles and used cars and trucks soaring 11.8% and 37.3%, respectively
 - With some Federal Reserve (Fed) officials signaling support for a rate hike as soon as March, the markets are now pricing over a 90% chance
- During his Senate confirmation hearing, Chair Jay Powell stated high inflation was a “severe threat” and the Fed will use rate increases and other measures to bring inflation down to the central bank’s 2% target
- Investment-grade issuers priced about \$40 billion, which was more than the estimated \$30-35 billion and driven by foreign banks capitalizing on attractive funding levels ahead of an expected issuance wave from domestic banks
 - Spreads widened 3bps, from 91bps to 94bps, on the heavy supply
- High-yield issuance reached \$4 billion, with 75% of this supply pricing on Wednesday
 - The Bloomberg High Yield Index yield rose from 4.39% to 4.45%, though it was as high as 4.68%; spreads were flat at 286bps, after widening to 302bps earlier in the week
- Asset-backed securities (ABS) outperformed other securitized sectors despite issuers pricing close to \$7 billion, kicking off supply for the year
- Visible supply in the municipal bond market rose to \$12.8 billion, above the 2021 weekly average of \$11.4 billion

Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
1/12/2022	0.92	1.52	1.75	2.14	2.09
MTD Change	0.19	0.26	0.24	0.20	0.19

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.

The views contained in this report are those of IR+M and are based on information obtained by IR+M from sources that are believed to be reliable. This report is for informational purposes only and is not intended to provide specific advice, recommendations, or projected returns for any particular IR+M product. No part of this material may be reproduced in any form, or referred to in any other publication, without express written permission from Income Research + Management. “Bloomberg®” and Bloomberg Indices are service marks of Bloomberg Finance L.P. and its affiliates, including Bloomberg Index Services Limited (“BISL”), the administrator of the index (collectively, “Bloomberg”) and have been licensed for use for certain purposes by IR+M. Bloomberg is not affiliated with IR+M, and Bloomberg does not approve, endorse, review, or recommend the products described herein. Bloomberg does not guarantee the timeliness, accurateness, or completeness of any data or information relating to any IR+M product.