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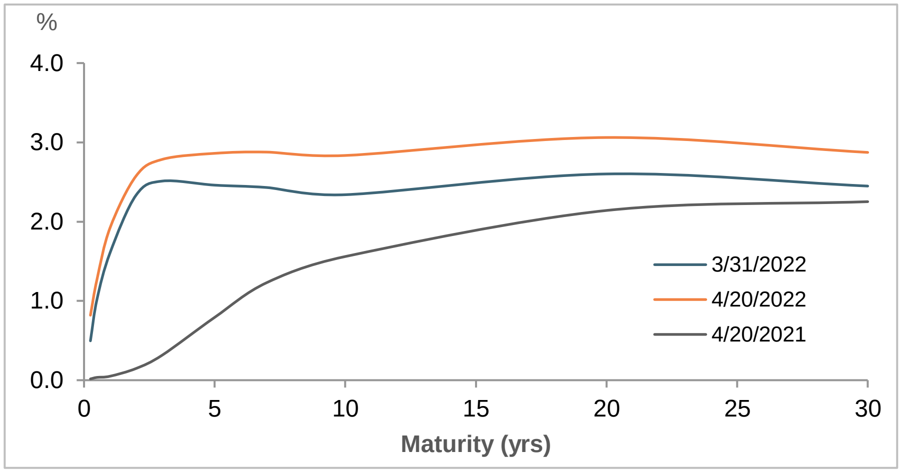
INCOME RESEARCH + MANAGEMENT

IR+M CLIENT UPDATE

April 15 – April 21, 2022

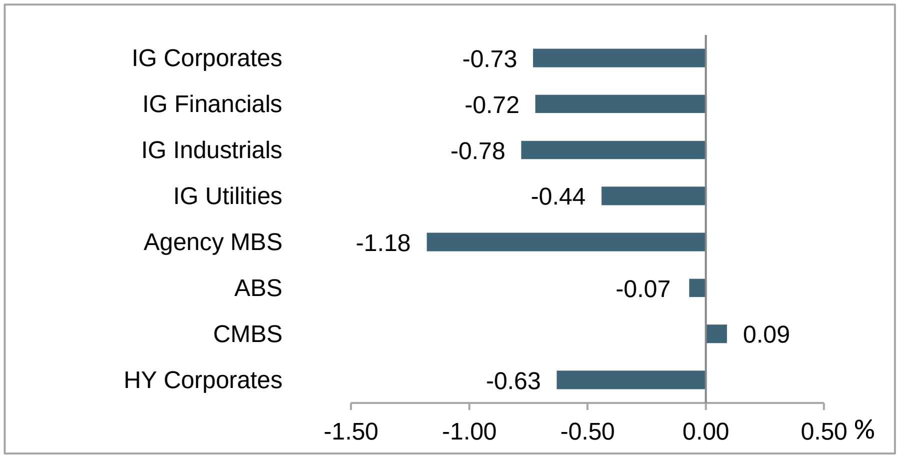
- Equity markets rose following generally strong economic data and earnings, showcasing that companies have largely been able to grow despite tightening monetary policy and high inflation; meanwhile, Treasury yields continued to climb as investors fully priced in 50bp increases at the next two Federal Open Market Committee meetings
    - The Federal Reserve's (Fed) Beige Book noted a moderate pace of economic growth in the early spring led by the service sector
    - While the overall outlook remains optimistic, districts noted an increase in downside risks, such as Russia's invasion of Ukraine
- Though the 10-year Treasury yield pulled back after approaching 3% earlier in the week, it resumed its climb to 2.95% amid speculation that Fed Chairman Jerome Powell may reinforce a 50bp increase on a panel discussion today hosted by the International Monetary Fund
- Investment grade issuance topped $55 billion, higher than projections of $40 billion and dominated by large money center banks
    - Four of the six large money center banks tapped the new issue market, totaling over $40 billion
    - Corporate spreads widened 2bps, from 123bps to 125bps, on the heavy supply
- After pausing last week, two high yield issuers returned to the primary market and priced less than $1 billion
    - The new issue calendar may continue to be light given most borrowers have refinanced in the last two years
    - The yield of the Bloomberg High Yield Index rose 11bps, from 6.46% to 6.57%; spreads tightened 7bps, from 354ps to 347bps
- Agency mortgage-backed securities (MBS) underperformed other securitized sectors as investors await the Fed to begin balance sheet reductions next month
- Municipal yields rose in tandem with Treasury rates, with the 10-year AAA GO yield closing at 2.64%, the highest level since March 2020

Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
4/20/2022	2.58	2.86	2.84	3.06	2.87
MTD Change	0.24	0.40	0.50	0.46	0.42

MTD Excess Returns



Sources: Bloomberg and Bloomberg Index Services Limited