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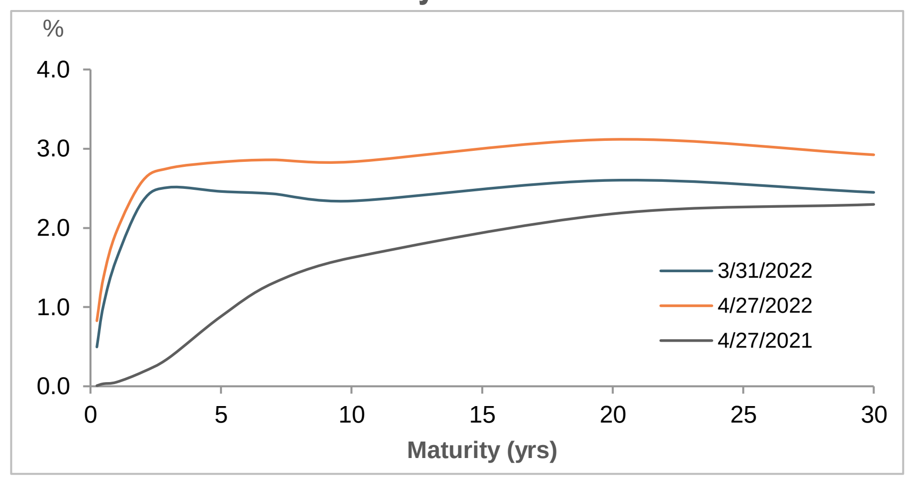
INCOME RESEARCH + MANAGEMENT

IR+M CLIENT UPDATE

April 22 – April 28, 2022

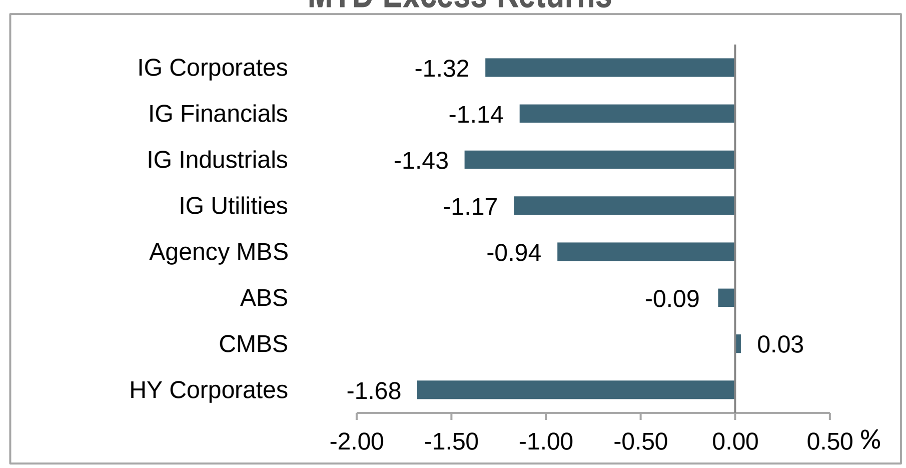
- Escalating tensions between the West and Russia, coupled with growing concern over the impact of renewed Covid lockdowns in China, weighed on risk sentiment; however, markets reacted favorably to mixed economic data later in the week
    - First quarter US real GDP contracted at an annualized rate of 1.4%; while a surge in imports and weaker inventory growth detracted, consumer and business demand remained solid, as evidenced by a 2.7% increase in personal consumption
- Despite the surprisingly negative GDP print, markets expect the Federal Reserve (Fed) will be undeterred in hiking rates to combat inflation given the underlying economic strength
    - Fed fund futures are pricing in 50bp hikes at each of the next four Fed meetings, with an expected rate of 2.75% by year end
    - The 10-year Treasury yield, experienced significant volatility throughout the week, ranging from 2.72% to 2.91%; it ultimately closed 1bp lower at 2.83%
- Many investment grade issuers opted to pull deals on the volatile market conditions; supply of $9 billion was well-shy of a projected $20 billion, and the issuers that did price paid heavier new issue concessions
    - Despite the light supply, corporate spreads widened 8bps to 133bps on the weaker market tone
- The high yield primary market saw $4 billion price across just two issuers; rising yields and the risk-off mood has kept many issuers on the sidelines, and month-to-date issuance of $11 billion is the slowest April since 2009
    - The yield of the Bloomberg High Yield Index rose 26bps to 6.83%, the highest since July 2020; spreads increased 28bps to 375bps
- Supply in commercial mortgage-backed securities (CMBS) remained robust; over $52 billion has priced year-to-date, 54% ahead of last year's pace
- Investors continued to pull money out of municipal bond mutual funds and ETFs, which experienced their 14th consecutive week of outflows

Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
4/27/2022	2.59	2.83	2.83	3.12	2.92
MTD Change	0.25	0.37	0.49	0.52	0.47

MTD Excess Returns



Sources: Bloomberg and Bloomberg Index Services Limited

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