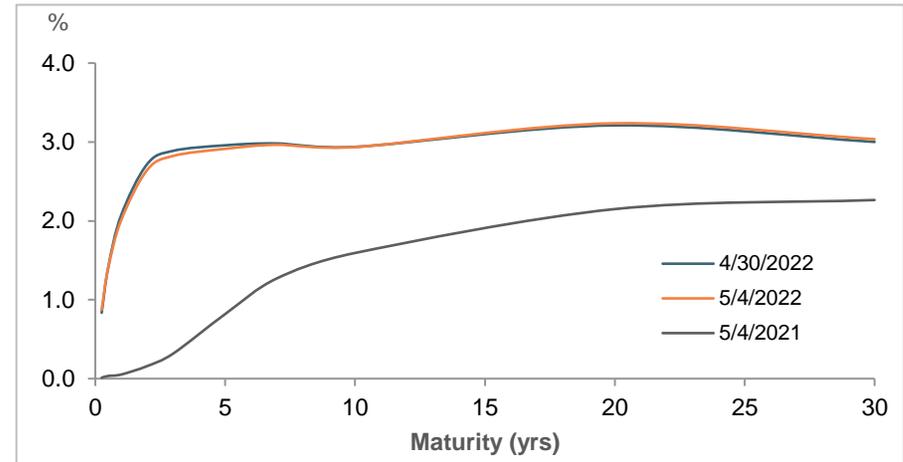




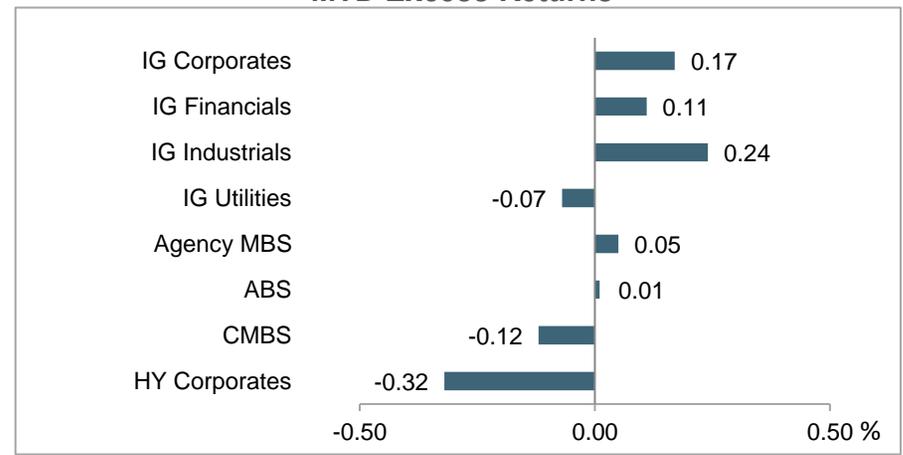
- On Wednesday, the Federal Reserve (Fed) unveiled the largest single rate hike in over 20 years and its balance sheet reduction plan to fight rising inflation; yields fell and equities rose following the announcement as markets interpreted the Fed's comments as less aggressive than expected, although sentiment reversed course on Thursday
  - The Fed raised the fed funds rate by 50bps; Fed Chair Powell downplayed the possibility of a 75bp hike, but commented that 50bp hikes "should be on the table for the next couple of meetings"
  - The balance sheet will begin shrinking in June by up to \$30 billion in Treasuries and \$17.5 billion in agency mortgage-backed securities (MBS); these caps will increase to \$60 billion and \$35 billion, respectively, in September
  - The 10-year Treasury, which hit 3% for the first time since 2018 earlier in the week, closed unchanged at 2.94%; the yield climbed above 3% on Thursday
- Investment grade new issue remained light with only \$16 billion priced of a projected \$20-\$25 billion; almost half of the total supply came on Thursday, as many issuers pulled their deals before the Fed meeting
  - Spreads tightened 1bp to close at 134bps on the lighter supply
- There was no high yield issuance this week, as issuers waited for calmer waters amidst rising yields and choppy market conditions
  - The yield of the Bloomberg High Yield Index broke 7% for the first time in almost two years, while spreads rose 11bps to 390bps
- Agency MBS outperformed other securitized sectors on the Fed's decision to start balance sheet reduction in June instead of May, which could result in an additional \$30 billion of MBS purchases
- Municipal bonds underperformed Treasuries, with the 10-year muni/Treasury increasing from 92% to 94%; supply and demand trends could be more favorable going forward with potentially lower issuance and less redemption following the US tax deadline

### Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
5/4/2022	2.65	2.91	2.94	3.24	3.04
MTD Change	-0.07	-0.05	0.00	0.03	0.04

### 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 but IR+M makes no guarantee as to the accuracy or completeness of the underlying third-party data used to form IR+M's views and opinions. 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.