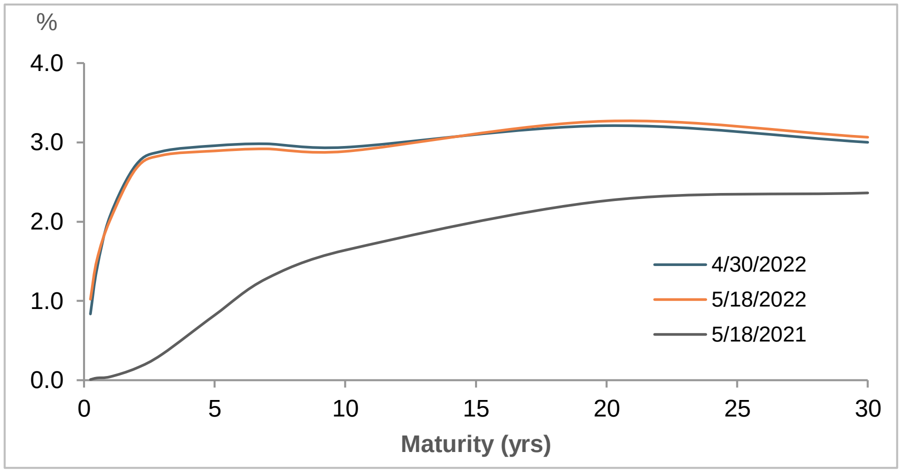
IR+M CLIENT UPDATE
May 13 – May 19, 2022

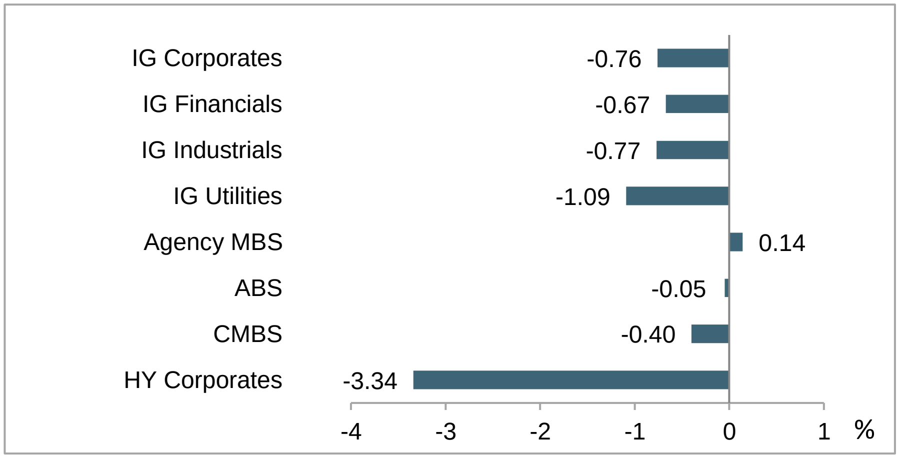
- Market sentiment slumped as investors, galvanized by recession fears, fled risk assets in droves; equities saw one of their worst days since 2020 and intermediate- and long-term Treasury yields fell
  - Economic data was mixed - US retail sales grew 0.9% in April and March was revised upward to 1.4%, but consumer sentiment fell to a fresh 10-year low of 59.1 on inflation concerns
  - Corporate earnings grew at an estimated 9.1% in 1Q22, the lowest level since 4Q20; cost pressures were a common theme, with over 85% of S&P 500 companies citing inflation on earnings calls
- Federal Reserve (Fed) Chairman Powell reaffirmed the Fed's commitment to tempering inflation, noting the Fed will tighten monetary policy until it sees convincing evidence of inflation reverting to its 2% target
  - Front-end yields rose in anticipation of continued rate hikes, and the 2-year closed up 3bps at 2.67%
- Despite the tumultuous market conditions, the investment grade corporate primary market priced over $33 billion price of a projected $30 billion; although demand was initially healthy, new issue concessions rose and subscription levels fell later in the week
  - Corporate spreads widened 8bps to 147bps
- High-yield issuance remained mostly frozen on rising yields and recession concerns – only one issuer came to market with a $1 billion deal; month-to-date issuance of $2.2 billion is on track to be the slowest May since 2008
  - The yield of the Bloomberg US High Yield Index climbed another 29bps to close at 7.80%, and spreads widened 31bps to 472bps
- Agency mortgage-backed securities (MBS) outperformed other securitized sectors, aided by expectations of lower supply
  - Mortgage applications fell 11% from the prior week and existing home sales were down 2.4% in April
- The yield of the Bloomberg Municipal Bond Index reached 3.50%, the highest level in over two years and well-above longer-term averages

Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
5/18/2022	2.67	2.89	2.89	3.27	3.07
MTD Change	-0.05	-0.07	-0.05	0.06	0.07

MTD Excess Returns



Sources: Bloomberg and Bloomberg Index Services Limited