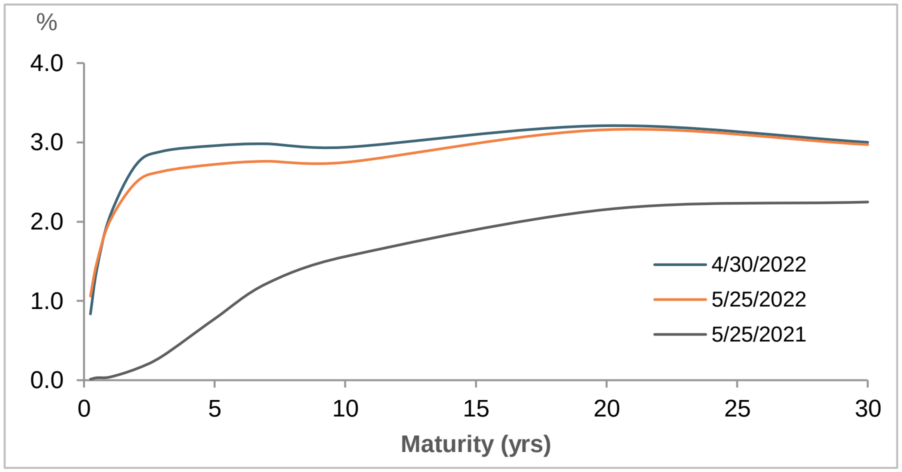
IR+M

INCOME RESEARCH + MANAGEMENT

IR+M CLIENT UPDATE
May 20 – May 26, 2022

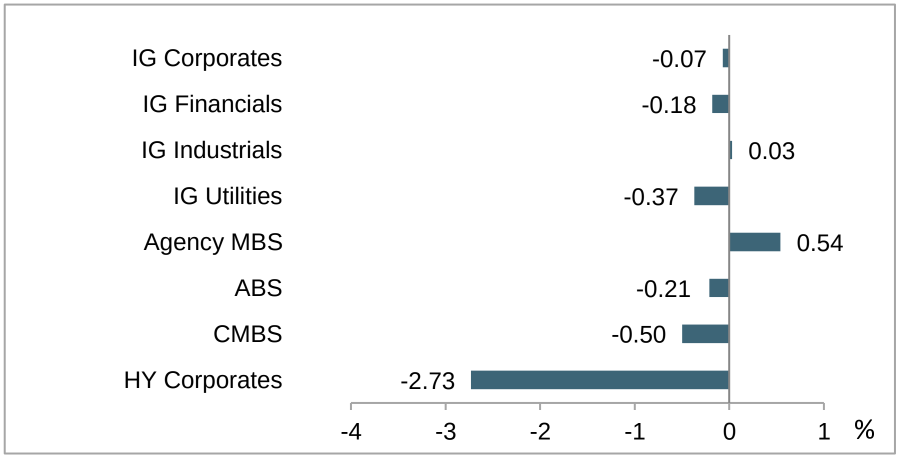
- Enthusiasm for risk assets remained sluggish, as weakening economic data reinforced concerns of a slowdown in growth; sentiment improved slightly on Thursday following Federal Reserve (Fed) indications that the pace of rate hikes may slow later in the year
  - The S&P Global preliminary US Composite PMI for May fell from 56.0 to 53.8 in May, signaling a slower expansion in business activity; services and manufacturing providers commented on rising input costs, with services seeing the fastest increase on record
- According to the Federal Open Market Committee (FOMC) May meeting minutes, most participants agreed to 50bp rate hikes for the next "couple of meetings," with the understanding that they may reconsider the necessity and pace of increases later in the year
  - Yields fell broadly across the curve on the negative market sentiment; the 10-year Treasury yield closed at 2.75%, down 14bps
- Investment grade corporate new issuance came to a standstill – only $2 billion was priced of a projected $20 billion; weekly volume has fallen short of estimates four out of the last five weeks
  - Corporate spreads tightened 7bps to 140bps on the light supply
- High-yield bonds had their biggest one-day gain in 18 months, benefitting from a dovish interpretation of the Fed minutes; issuance remained quiet with just $2.2 billion month-to-date, a 95% drop from last May
  - The yield of the Bloomberg US High Yield Index fell 29bps to 7.51%, and spreads tightened 12bps to 460bps, as investors gradually returned to the asset class
- Issuance of asset-backed securities (ABS) surpassed $30 billion in May, the highest monthly total so far this year; year-to-date issuance of $130 billion is 12% ahead of last year's pace
- Municipal bonds outperformed Treasuries, as investors viewed the asset class more favorably amid the softer economic data and equity volatility; the 10-year muni/Treasury ratio fell 5% to 98%

Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
5/25/2022	2.50	2.72	2.75	3.16	2.97
MTD Change	-0.22	-0.24	-0.19	-0.05	-0.03

MTD Excess Returns



Sources: Bloomberg and Bloomberg Index Services Limited