IR+M
INCOME RESEARCH + MANAGEMENT

IR+M CLIENT UPDATE
April 2022

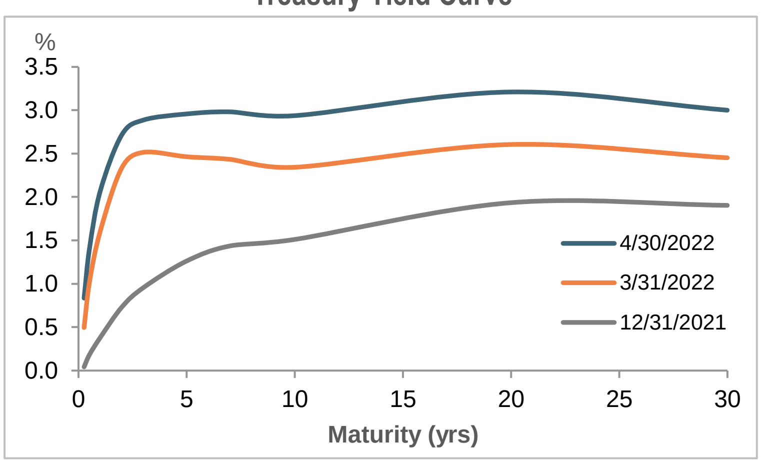
May 2, 2022

MARKET NEWS

- Recent economic releases reflected the US economy's underlying strength, but market sentiment soured on a litany of concerns, including escalating tensions between the West and Russia, growing unease over the impact of renewed Covid lockdowns in China, and elevated inflation readings
    - 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 personal consumption increased 2.7%
    - March CPI came in above expectations at 8.5% year-over-year, the fastest increase since December 1981
- The Federal Open Market Committee (FOMC) March meeting minutes revealed the central bank's plan to aggressively reduce its balance sheet in response to inflation
    - Federal Reserve (Fed) officials' increasingly hawkish rhetoric drove rate-hike expectations higher; Fed fund futures are pricing in a rate of 2.75% by year end and 50bp hikes at each of the next four Fed meetings
    - Treasury yields continued their ascent, with the 10-year yield up 60bps to 2.94%
- Investment grade issuers priced $107 billion of a projected $95 billion; while supply exceeded estimates, towards the end of the month, several issuers pulled back due to elevated volatility and expanding negative sentiment
    - Corporate spreads widened 19bps to 135bps on the weaker market tone
- Rising yields and the risk-off mood also weighed on high-yield new issue; month-to-date issuance of $11 billion was the slowest April since 2009
    - The yield on the Bloomberg High Yield Index rose 97bps to 6.98%, the highest since July 2020; spreads increased 54bps to 379bps
- Agency MBS underperformed other securitized sectors in response to the Fed's plan to actively sell its MBS holdings, as well as on extension fears as the average 30-year mortgage rate rocketed to 5.42%
- Investors continued to pull money from municipal bond mutual funds and ETFs, and the Bloomberg Municipal Bond Index saw a negative total return of -2.8% in April

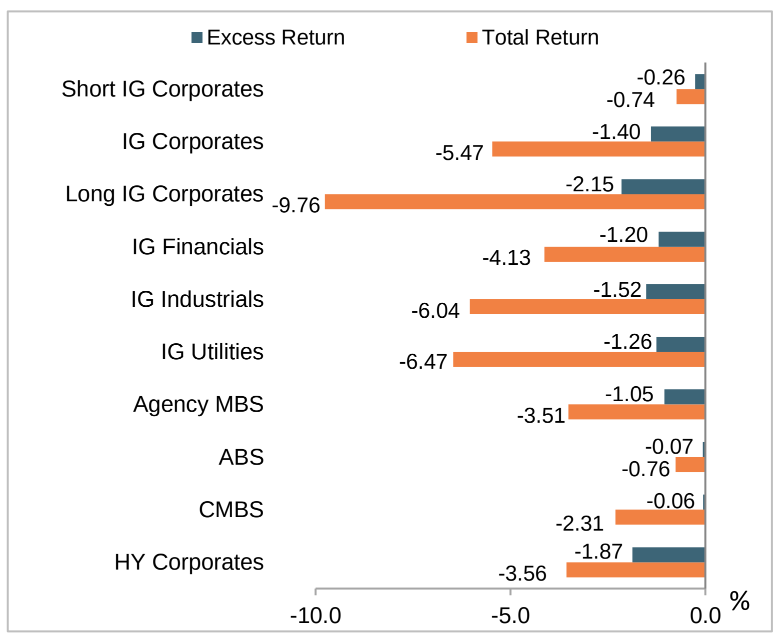
MARKET STATISTICS

Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
4/30/2022	2.72	2.96	2.94	3.21	3.00
MTD Change	0.38	0.50	0.60	0.61	0.55

MTD Returns



As of: 4/30/22. Sources: Bloomberg

Excess returns are the curve-adjusted excess return of a given index relative to a term structure-matched position in Treasuries.