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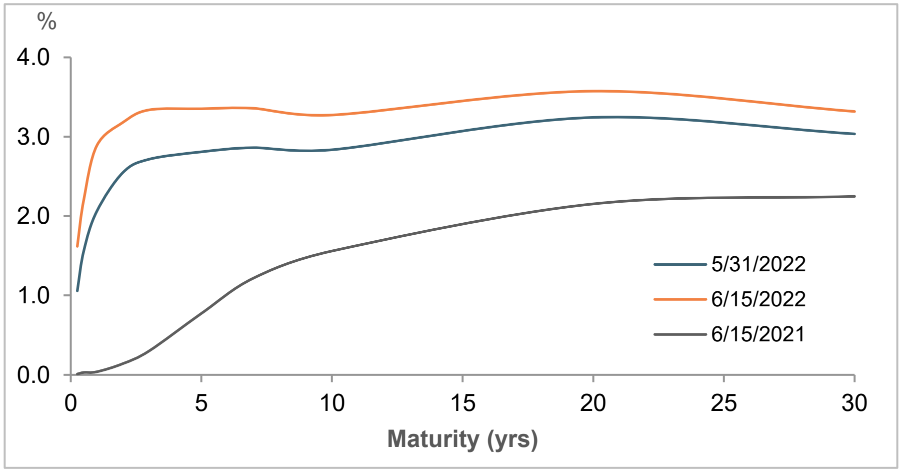
INCOME RESEARCH + MANAGEMENT

IR+M CLIENT UPDATE
June 10 – June 16, 2022

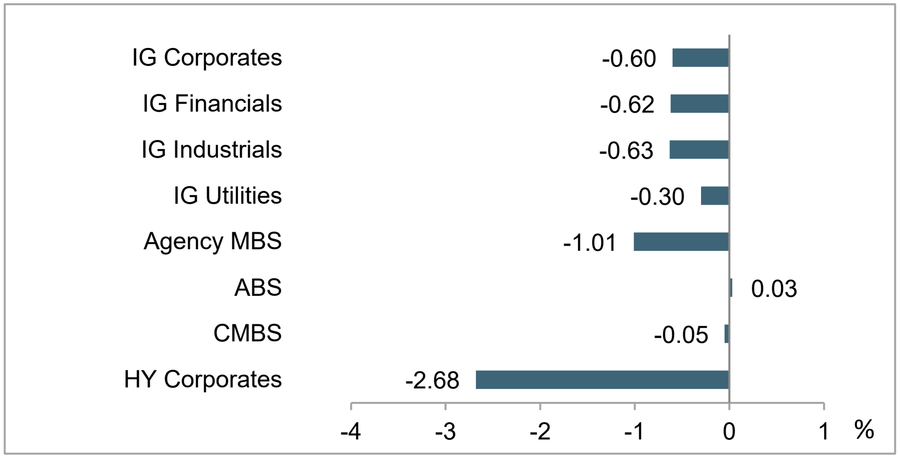
- On Wednesday, the Federal Reserve (Fed) increased the fed funds target range by 75bps to 1.50-1.75%, the largest rate hike in over 25 years
    - The Fed's decision came amidst renewed inflation fears spurred by the latest print; May CPI rose 8.6% year-over-year versus expectations of an 8.3% increase
- Treasury yields increased across the curve and the curve flattened, as investors began anticipating 75bp rate hikes following the higher-than-expected inflation data released last Friday
    - Investors expect another eight 25bp rate hikes prior to 2023
    - Higher rates pushed the 30-year mortgage to 5.78%, a 35-year high
- The investment-grade corporate new issue market came to a standstill this week as companies remained on the sidelines given the weak tone – this was the first week of no new deals in the primary market in 2022
    - Expectations were for between $25 and $30 billion of issuance; next week's volume could be heavier-than-normal given the growing backlog of issuers waiting for calmer markets to issue debt
    - Light supply partially insulated corporate spreads from the softer tone, which widened 4bps from 136bps to 140bps
- High-yield issuance saw another quiet week with only $400 million priced, down even further from the prior week's total of just $800 million
    - The yield of the Bloomberg US High Yield Index rose 53bps to 8.32%, and spreads widened 49bps to 470bps, as equity market weakness and lower oil prices were headwinds
- Issuance of asset-backed securities (ABS) slowed this week amid the volatility; however, supply remains ahead of last year's pace with roughly $151 billion issued year-to-date, 11% higher than at this point last year
- Municipal bonds underperformed Treasuries on the week, with the muni/Treasury ratio increasing by 6%, from 82% to 88%; however, the ratio is still 18% higher year-to-date

Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
6/15/2022	3.20	3.37	3.29	3.59	3.33
MTD Change	0.64	0.55	0.44	0.33	0.29

MTD Excess Returns



Sources: Bloomberg and Bloomberg Index Services Limited

100 Federal Street, 30th Floor Boston, MA 02110 (617) 330-9333 www.incomeresearch.com