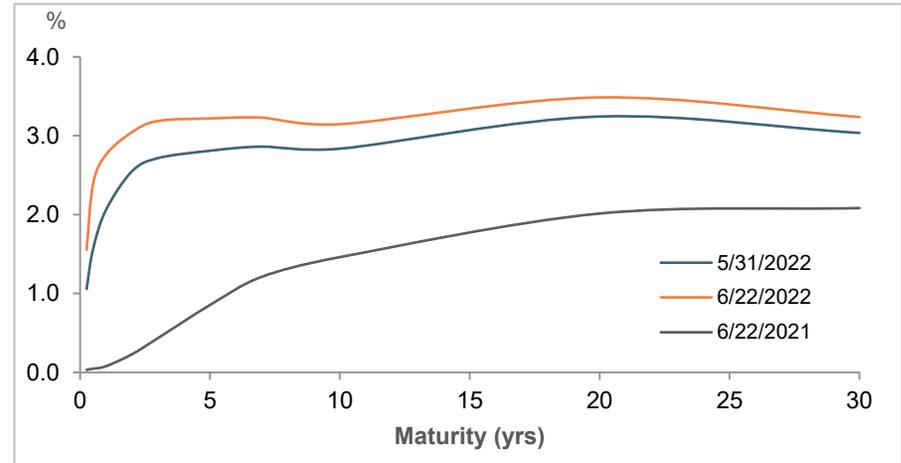




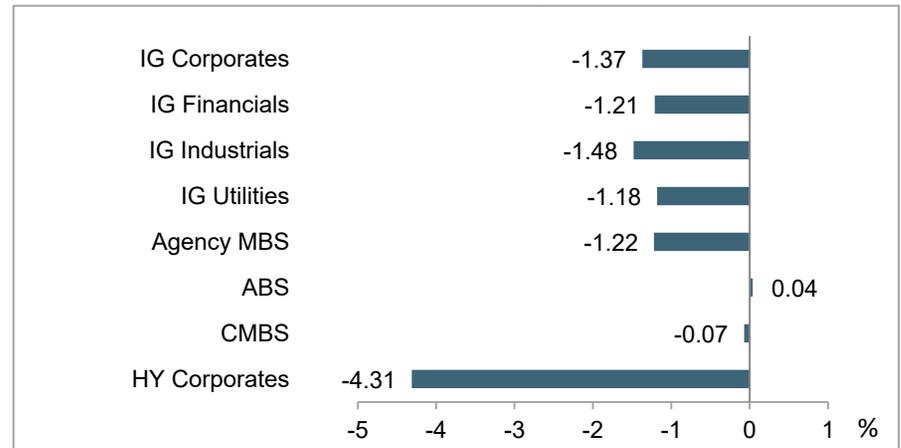
- The Federal Reserve (Fed) Chair Jerome Powell testified before the Senate and reiterated the Fed’s goal of combatting inflation – which recently reached a 40-year high – and signaled ongoing rate increases
 - Powell discussed the difficulty of engineering a soft landing, and admitted a recession is “certainly a possibility”
 - The market anticipates eight additional rate hikes by 2023, implying a target federal funds rate of 3.5% by year-end
- The 2-year Treasury, which is typically more sensitive to monetary policy, fell 15bps during the Senate meeting
- Six issuers priced over \$10 billion during the holiday-shortened week, ending a historic hiatus that saw no issuance for seven consecutive days – the longest period since 2008 and second-longest of all time
 - Month-to-date issuance totaled roughly \$61 billion versus expectations of \$91 billion; investors anticipate June to be one of the lowest months of new supply in 2022
 - Corporate spreads widened 5bps, from 144bps to 149bps
- There were no new issues in the high-yield market, continuing the slowing trend, as issuers were content sitting on the sidelines amid recessionary fears and higher rates
 - The yield of the Bloomberg US High Yield Index rose 26bps to 8.58%, and spreads widened 44bps to 521bps, a year-to-date wide
- Agency mortgage-backed securities (MBS) underperformed Treasuries and other securitized sectors as Powell highlighted the Fed’s willingness to sell agency MBS holdings at a loss to transition its balance sheet to Treasuries
 - Mortgage refinancing also decreased by 3%, suggesting prepayments may remain slow at the current level of rates
- Municipals underperformed Treasuries on the week, with the muni/Treasury ratio increasing 3%, from 88% to 91%, amid continued outflows; however, issuance is expected to remain light for the foreseeable future

Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
6/22/2022	3.05	3.22	3.15	3.49	3.24
MTD Change	0.50	0.41	0.31	0.25	0.20

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.