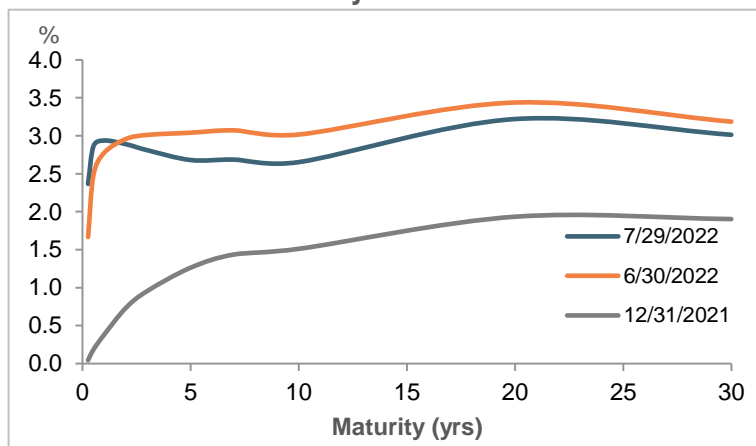


**MARKET NEWS**

- Despite weak economic data, persistent inflationary pressures, tightening monetary policy, and recessionary fears, risk assets rallied in July with the S&P 500 returning 9.1%, its strongest month since November 2020
  - The US economy contracted for the second consecutive quarter, entering a technical recession; 2Q GDP fell 0.9% year-over-year, following a 1.6% decline in 1Q; the US Consumer Price Index (CPI) surged 9.1% in June, the largest annualized gain since 1981
- At its July meeting, the Federal Reserve (Fed) increased rates by 75bps for the second consecutive month, bringing the federal funds target range to 2.25% - 2.50%, and left the door open to a 50bp or 75bp hike in September, depending on data
- Front-end Treasury yields increased in July while the belly and long-end of the curve decreased; the spread between the 2- and 10-year Treasury rate, often seen as a key predictor of a recession, closed the month inverted at -24bps
- The investment grade primary market came back to life in July after falling 23% and 36% short of estimates in June and May, respectively; issuers priced \$87 billion, surpassing the \$80 billion estimated
  - Corporate spreads tightened 11bps during the month to 144bps as investor demand remained strong
- High-yield issuance ground to a near halt in July amid continuing macro uncertainty, pricing only \$1.8 billion, the slowest July issuance since 2006
  - Yields plunged and spreads tightened the most in almost two years due to the lack of supply in July; the yield of the Bloomberg High Yield Index fell 116bps to 7.73% and spreads tightened 100bps to 469bps; US high-yield bonds had their best month since 2011, returning 5.9%
- Agency mortgage-backed securities (MBS) outperformed other securitized sectors in July as rates rallied and implied volatility decreased; outperformance was further aided by the fact that the Fed did not discuss reducing its balance sheet at its July meeting; July's 129bps of excess return (ER) is its highest monthly ER on record
- Munis rallied in July, returning nearly 2.5%, the best showing since May 2020, as investors began piling into munis given higher yields on relatively safe bonds; munis outperformed Treasuries across the curve, with the 2- and 10-year muni/Treasury ratios decreasing 10% and 6%, respectively, to 56% and 85%

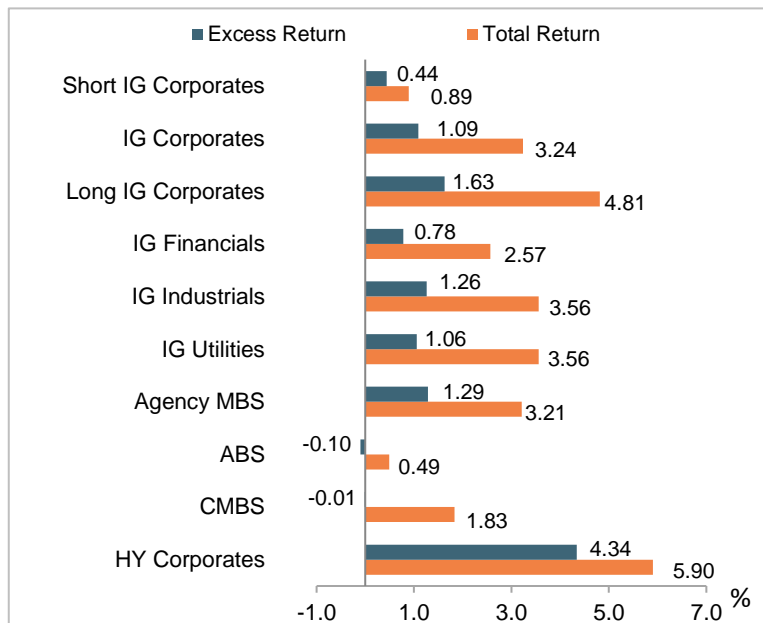
**MARKET STATISTICS**

Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
7/29/2022	2.89	2.68	2.65	3.22	3.01
MTD Change	-0.07	-0.36	-0.37	-0.22	-0.18

MTD Returns



As of: 7/29/22. Sources: Bloomberg

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

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