



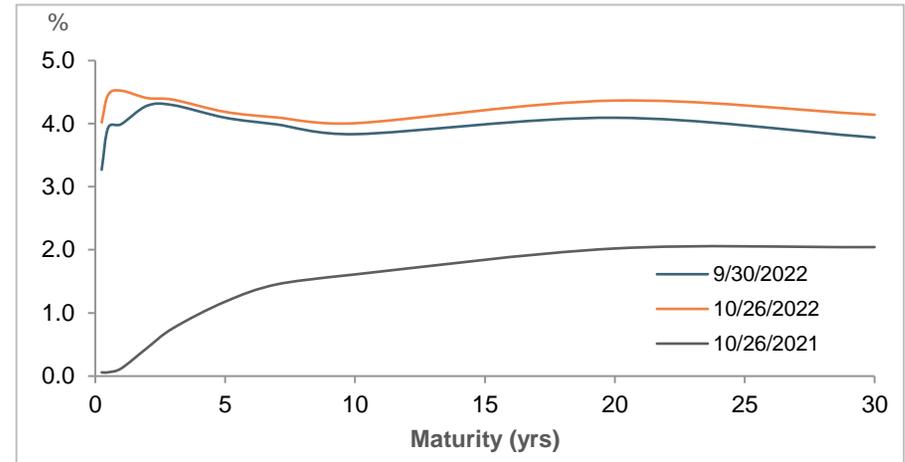
INCOME RESEARCH + MANAGEMENT

IR+M CLIENT UPDATE

October 21 – October 27, 2022

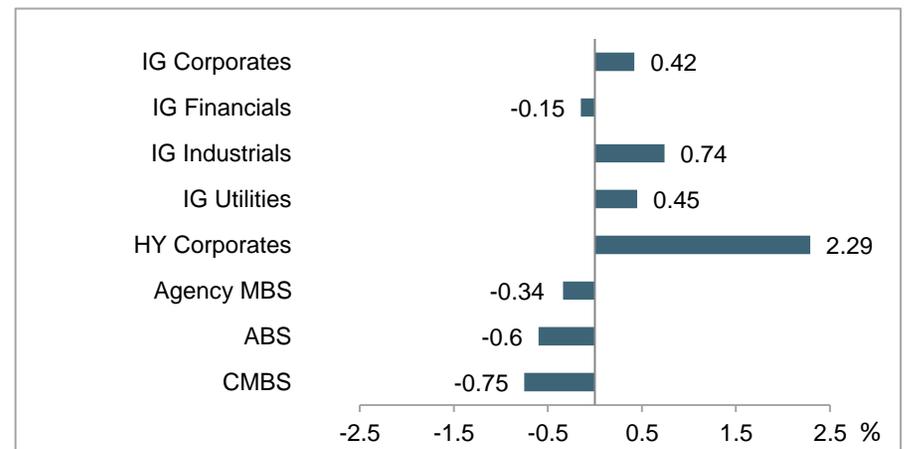
- Markets digested mixed economic data – pushing yields lower week-over-week, but risk assets higher – as investors lowered expectations of how high the Federal Reserve (Fed) will need to hike rates
 - Gross domestic product (GDP) came in above market expectations in the third quarter, rising at an annualized rate of 2.6%; personal consumption, the biggest part of the economy, climbed at a 1.4% pace
 - US business manufacturing fell for the fourth straight month; the S&P Manufacturing PMI fell to 49.9, denoting an economic contraction
- Treasury yields fell throughout the week and the curve flattened; the difference between the 3-month and 10-year Treasury rate, which has served as a leading indicator for predicting recessions, briefly inverted
 - Investors are still pricing in a fourth 75bps hike at next week's FOMC meeting
- Investment-grade corporate issuance was heavier than expected, as over 10 issuers brought \$34 billion of new supply; corporate spreads tightened 4bps to 160bps
 - Industrials were this week's best performing sector, despite supply chain disruptions caused by heightened global tensions
- Issuance in the high yield market froze this week as no new issuers came to market
 - The Bloomberg High Yield Index yield fell 34bps to 9.3%; spreads tightened 22bps to 438bps, a five-week low
- Commercial mortgage-backed securities (CMBS) outperformed other securitized sectors on light supply; year-to-date issuance of \$94 billion is 20% behind last year's pace
- Municipals underperformed Treasuries this week as outflows from muni bond mutual funds continued for the ninth straight week

Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
10/26/2022	4.41	4.19	4.01	4.37	4.14
MTD Change	0.13	0.09	0.17	0.28	0.36

Month-to-Date 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.