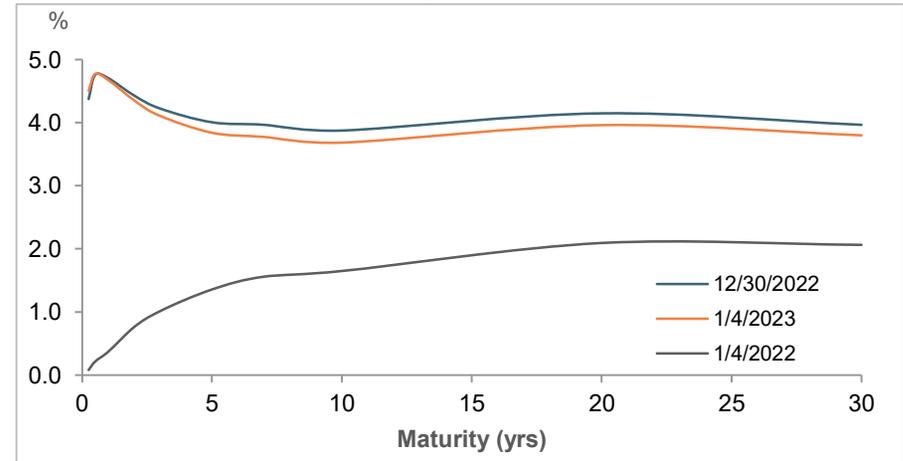




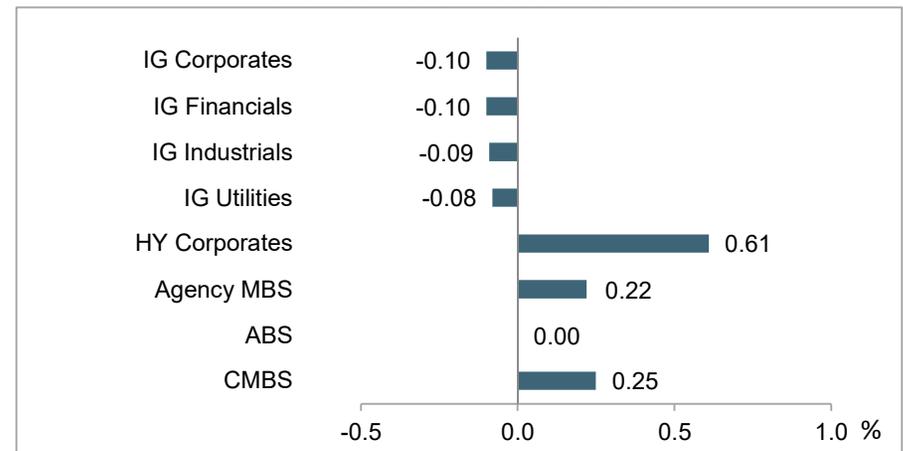
- The year kicked off with strong employment data and the release of the December FOMC meeting minutes, further emphasizing monetary tightening is likely to continue in 2023
 - The labor market remains healthy, as 10.5 million job openings were reported in November, down just marginally from October's total
 - Manufacturing slumped further in December, as ISM Manufacturing fell to 48.4, the second straight month of contraction and the lowest level since March 2020
- December's hawkish FOMC meeting minutes cautioned investors against underestimating its resolve to fight off rising inflation
 - The market is anticipating up to three additional rate hikes in 2023, although the hawkish comments from officials signaled more significant increases are possible
- In the first week of 2023, investment-grade issuers rushed to market, with over 35 companies bringing \$58 billion in supply, exceeding weekly estimates of \$40 billion; spreads widened 3bps to 133bps
- High-yield issuance was driven by one new deal this week, which accounted for nearly \$3 billion in supply
 - High-yield spreads tightened 17bps to 452bps, while yields fell the most in three weeks by 25bps to 8.71%
- Agency mortgage-backed securities outperformed other securitized sectors, aided by a drop in MBA mortgage applications, which fell 10.3% in the week ended December 30 on the heels of a 3.2% decline
 - The average 30-year fixed rate mortgage started the year at 6.52%, up over 330bps from one year prior
- Investors withdrew over \$3 billion from municipal bond mutual funds in the week ended December 30th, the 19th consecutive week of outflows

Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
1/4/2023	4.35	3.84	3.69	3.96	3.80
MTD Change	-0.07	-0.16	-0.19	-0.19	-0.17

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.