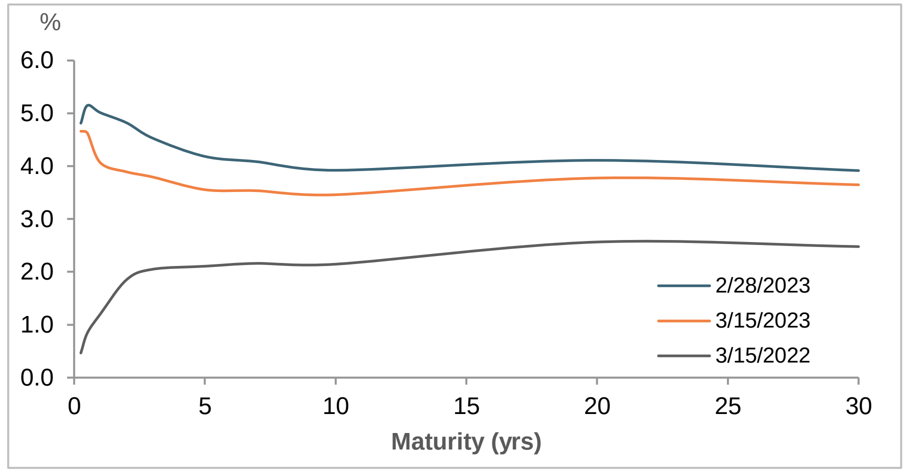
INCOME RESEARCH + MANAGEMENT

IR+M CLIENT UPDATE

March 10 – March 16, 2023

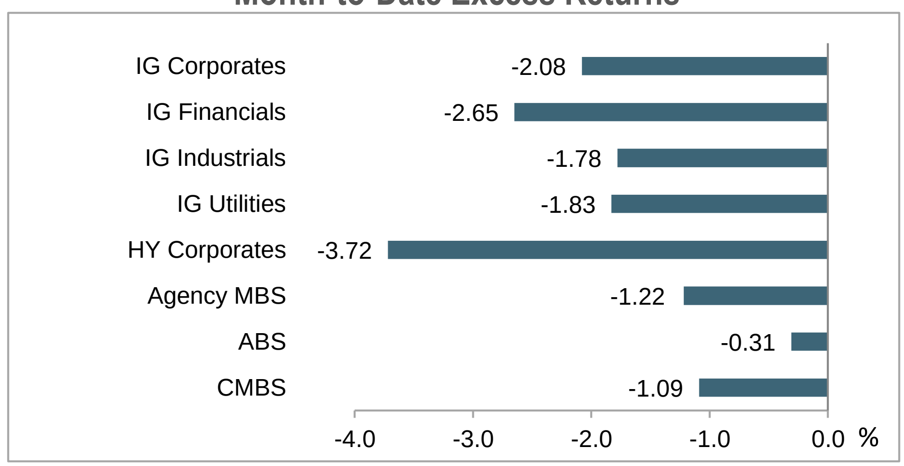
- The collapse of Silicon Valley Bank (SIVB) led to significant volatility across global markets as investors re-assessed the stability of other financial institutions, specifically regional and Yankee banks
- Although contagion fears were calmed by central banks, investors still had to digest inflation data ahead of the Federal Reserve's (Fed) rate decision in next week's FOMC meeting
    - Core CPI grew 0.5% in February, the most in five months, forcing the Fed to grapple with continued inflationary pressures amidst waning confidence in the regional banking industry
    - The SIVB collapse led to recalibration of the market's monetary policy expectations; given the impact higher rates are having on banks, investors are anticipating Fed policy decisions to become more dovish
- Treasury yields fell across the curve, particularly in the front-end, and the curve steepened; the 2-year Treasury yield fell 118bps to 3.89% after reaching 5.07% last week, while the 10-year Treasury yield decreased 53bps from 3.99% to 3.46%
- Investment-grade and high-yield issuance came to a halt this week in the wake of the SIVB collapse and contagion fears while spreads widened
    - Investment-grade spreads widened 39bps week-over-week to 163bps, while high-yield spreads widened 111bps to 511bps
    - The yield of the Bloomberg High Yield Index surged 33bps to 9.03%, breaching 9% for the first time this year
- Supply in asset-backed securities dwindled to roughly $3 billion, down from $12 billion last week, as the market grappled with SIVB's fallout
- Investors withdrew $731 million from municipal mutual funds during the week ending March 8; municipals underperformed Treasuries as the 10-year muni/Treasury ratio rose from 66% to 69%

Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
3/15/2023	3.89	3.55	3.46	3.77	3.65
MTD Change	-0.93	-0.63	-0.47	-0.34	-0.27

Month-to-Date Excess Returns



Sources: Bloomberg and Bloomberg Index Services Limited