IR+M INCOME RESEARCH + MANAGEMENT

IR+M CLIENT UPDATE
March 2023

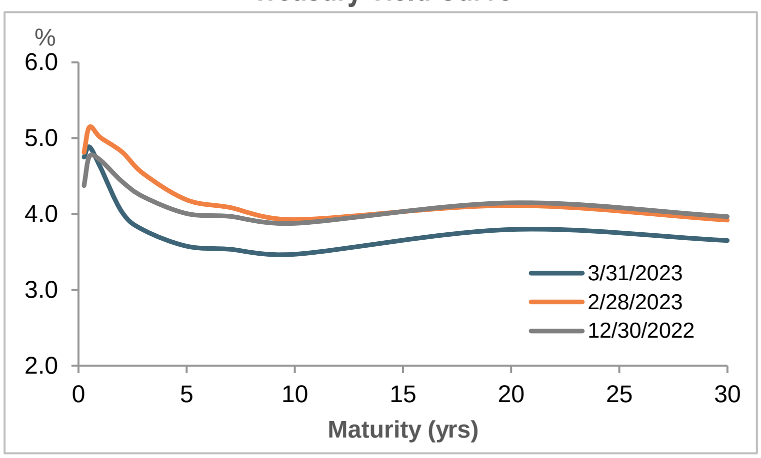
April 3, 2023

MARKET NEWS

- Global markets remained resilient in March despite the collapse of Silicon Valley Bank (SIVB), instability among other US regional banks, and the sale of Credit Suisse to UBS
    - US employers added 311,000 jobs in February, higher than market estimates of 225,000, signaling continued strength in the labor market
    - CPI grew 6.0% year-over-year in February; Core CPI grew 0.5% in February, the most in five months, forcing the Federal Reserve (Fed) to grapple with continued inflationary pressures
- At its March meeting, the Fed continued to combat inflation by hiking interest rates 25bps, bringing the fed funds target range to 4.75 - 5.00%, the highest since September 2007
    - Treasury yields fell across the curve in March, particularly in the front-end, while the Fed hiked rates as angst over the banking system dominated the markets; the 2-year Treasury yield plummeted 79bps to 4.03%, while the 30-year fell only 27bps to 3.65%
- Despite March historically being a heavy month of issuance, investment-grade issuers priced $100 billion, well below expectations of $150 billion, largely due to the banking crisis that paralyzed the primary market mid-month
    - Corporate spreads widened 14bps during the month, from 124bps to 138bps
- High yield borrowers remained on the sidelines for most of the month with only $4.9 billion priced, the lowest March tally since 2020
    - The Bloomberg High Yield Index yield fell 11bps to a three-week low of 8.52%, and high yield spreads widened 43bps to 455bps, after tightening 61bps in the last two weeks of March from a wide of 516bps
- Commercial mortgage-backed securities (CMBS) underperformed other securitized sectors in March given commercial real estate's significant exposure to regional banks, which have been under pressure since the collapse of SIVB; new issue supply is 83.5% lower year-over-year at $7.3 billion
- The municipal market benefitted from a flight to safety amidst the banking turmoil in March; the muni market reversed a large portion of its February's losses, returning 2.22%, marking its strongest March performance since 2008

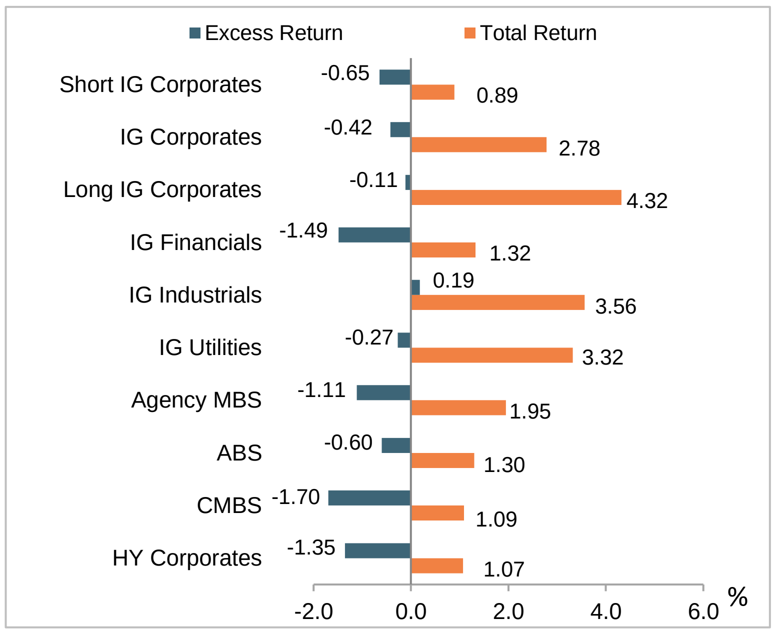
MARKET STATISTICS

Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
3/31/2023	4.03	3.58	3.47	3.80	3.65
MTD Change	-0.79	-0.61	-0.45	-0.31	-0.27
YTD Change	-0.40	-0.43	-0.41	-0.35	-0.32

MTD Returns



As of: 03/31/23. 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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