IR+M

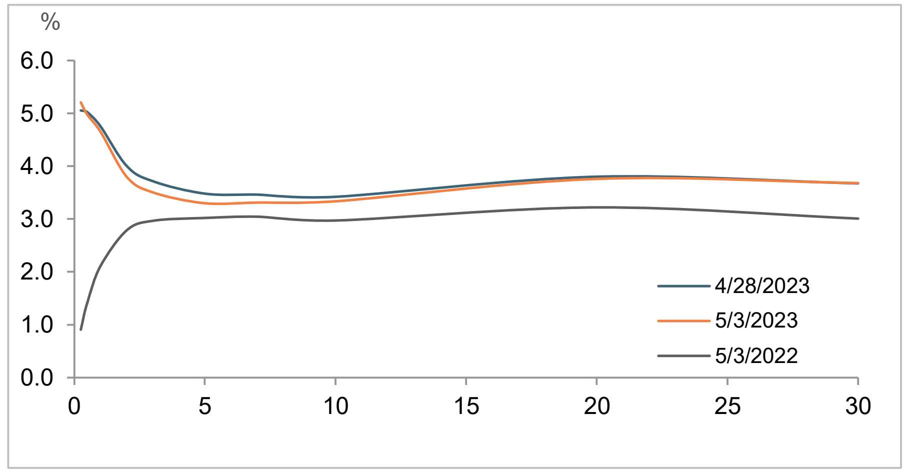
INCOME RESEARCH + MANAGEMENT

IR+M CLIENT UPDATE

May 1 – May 4, 2023

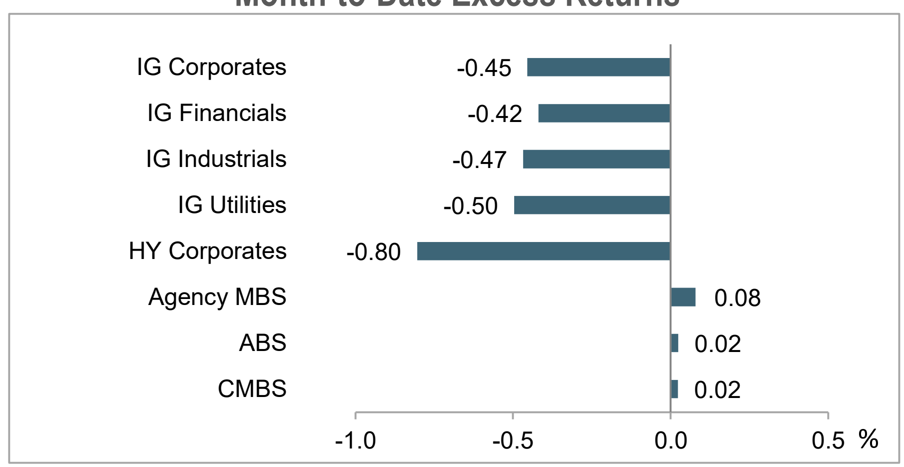
- The federal funds target rate was raised by 25bps to 5.00% - 5.25%, marking the tenth consecutive rate hike since March 2022, and the first time since 2007 that the target rate has surpassed 5%
  - Despite Federal Reserve (Fed) Chair Powell's lack of commitment to a pause in rate hikes, investors are now anticipating rate cuts at future FOMC meetings in 2023
- Although the Fed gave assurances that the US financial system is sound, financial market turbulence intensified this week
  - Shares of regional banks sank on Thursday morning, intensifying tremors in the banking system that saw trading on several banking stocks halted on Tuesday following JPMorgan's takeover of First Republic Bank
  - Job openings in the US fell to a nearly two-year low in March, the second straight month below 10 million, while layoffs reached levels not seen since December 2020
- The primary markets were active early this week ahead of Wednesday's FOMC meeting, with supply of newly issued investment-grade and high-yield debt reaching $28 billion and $5 billion, respectively
  - Meta's blockbuster $8.5 billion deal boosted Monday's issuance to $23 billion, the largest day since February 15th
  - Investment-grade corporate spreads widened 7bps to 143bps; high-yield spreads widened by 21bps to 473bps, while yields fell 5bps to 8.53%
- Sales of mortgage-backed securities from the FDIC continued, with almost $5 billion already offloaded as investors showed an appetite for the increased supply
- Municipals underperformed Treasuries across the curve with the exception of the 30-year muni/Treasury ratio, which had no change at 94%; the 2-year muni/Treasury ratio rose 4% to 71%

Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
5/3/2023	3.81	3.30	3.34	3.76	3.68
MTD Change	-0.20	-0.19	-0.09	-0.04	0.01

Month-to-Date Excess Returns



Sources: Bloomberg and Bloomberg Index Services Limited