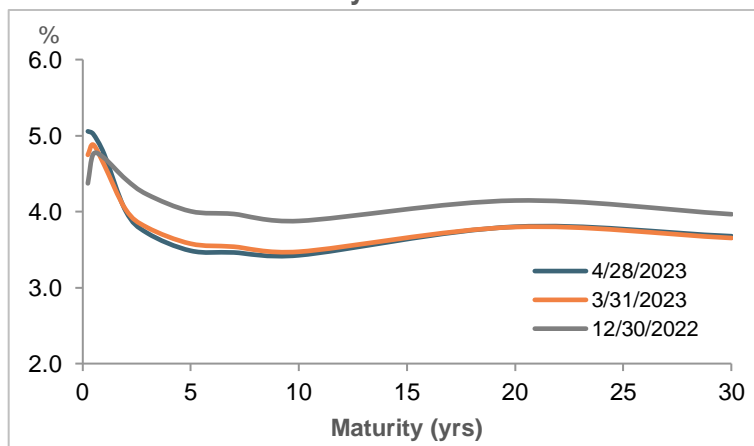


**MARKET NEWS**

- Risk assets performed well in April, with equities and corporate bonds generating positive returns, while interest rate volatility remained slightly elevated as investors continued to grapple with persistent inflation and recession concerns
  - CPI grew 5.0% year-over-year in March, down from 6.5% in December 2022, driven by a decline in energy prices; Core CPI remained elevated, however, growing 0.4% month-over-month
  - News emerged at the end of the month that the Federal Deposit Insurance Corporation (FDIC) was preparing to take First Republic Bank (FRC) under receivership after collecting bids from prospective buyers (see page two for additional details)
- The minutes from the FOMC's March meeting revealed that Federal Reserve (Fed) officials are anticipating a mild recession beginning in the latter half of 2023; investors expect the Fed to hike rates by another 25bps at the upcoming meeting in the first week of May, a notable shift from last month when markets were expecting the Fed to stay put or cut rates
  - Treasury yields, outside of the front-end of the curve, remained roughly unchanged from March; the 10-year Treasury yield ended April at 3.43%, 5bps lower on the month
- Following an abnormally quiet month of supply in March, investment-grade issuance fell short of expectations again in April; \$66 billion of new bonds priced, well below the \$100 billion that investors anticipated
  - Investment-grade corporate spreads tightened 2bps during the month, from 138bps to 136bps
- High-yield borrowers returned to the market in April, pricing \$17.6 billion in new issuance; total high yield issuance stands at \$56.5 billion, a 4.4% increase year-over-year
  - The Bloomberg High Yield Index yield fell 4bps to 8.48%, and high-yield spreads tightened 3bps to 452bps
- Agency mortgage-backed securities (MBS) was the only securitized sector to experience negative returns, underperforming other securitized sectors as the market began to absorb the FDIC's sale of MBS securities from failed banks
- Following strong performance in March, municipal bonds dropped 0.23% in April; the muni/10-year Treasury ratio climbed by about 3% to end the month at 68.5%

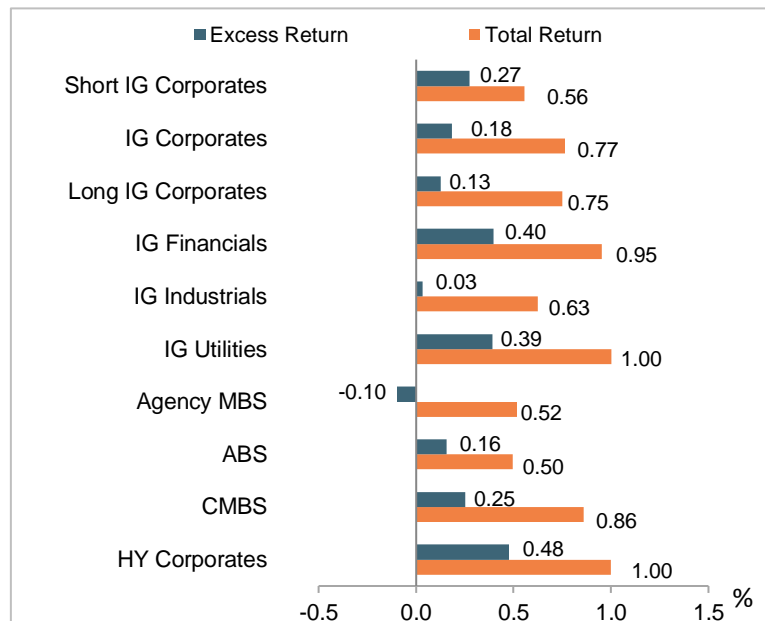
**MARKET STATISTICS**

Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
04/28/2023	4.01	3.49	3.43	3.80	3.68
MTD Change	-0.02	-0.09	-0.05	0.01	0.03
YTD Change	-0.42	-0.52	-0.45	-0.34	-0.29

MTD Returns



As of: 04/28/23. Sources: Bloomberg

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 Income Research & Management ("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, accuracy, or completeness of any data or information relating to any IR+M product.

**MARKET NEWS – FIRST REPUBLIC BANK**

- On Monday, May 1, 2023, First Republic Bank (FRC), was placed under FDIC receivership, and ultimately acquired by JPMorgan Chase & Co. (JPM) during an auction which took place over the weekend. This is the second largest bank failure in US history.
- FRC released earnings on April 24, 2023, that highlighted deposit outflows totaling over \$100 billion, which significantly changed the composition of FRC's funding profile. The increased funding costs, coupled with FRC's low-yielding loan book, distorted the profitability profile of the bank moving forward.
- The FDIC reached an agreement with JPM to acquire FRC's assets including \$173 billion of loans, \$30 billion of securities, and \$92 billion in deposits. JPM will pay the FDIC \$10.6 billion, and the FDIC will provide loss-sharing agreements related to the loans. JPM also stated that they will repay the \$25 billion in deposits by large US banks from earlier this year that were intended to help stabilize FRC.
- Although we have seen two of the largest bank failures within the last two months, at IR+M, we believe this is not an indication of a widespread, systemic issue. However, we acknowledge there could be more issues ahead. While several banking institutions have experienced headwinds, many others have shown they are well-capitalized and positioned to withstand further volatility. We continue to favor banks with solid fundamentals and broad scale across a healthy mix of business segments.

Sources: Bloomberg

The views contained in this report are those of Income Research & Management ("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.