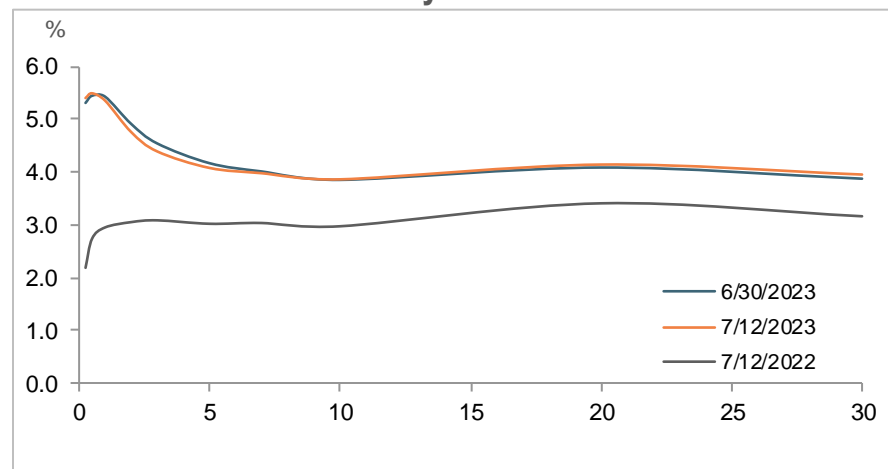




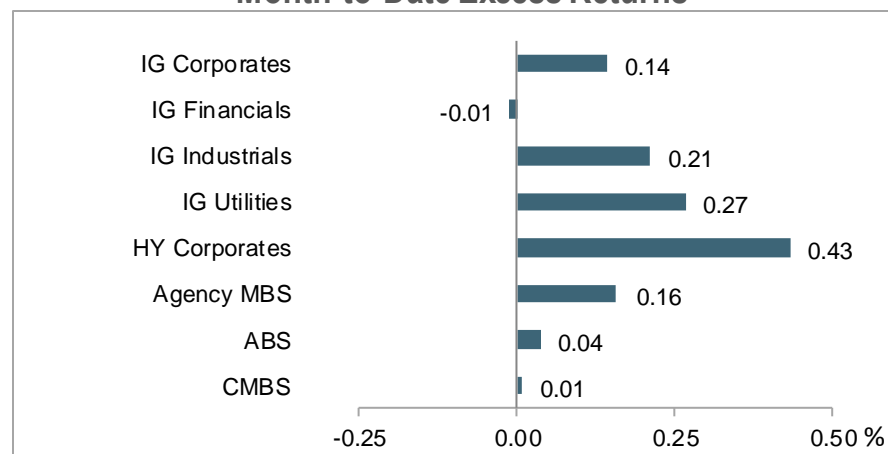
- Risk assets rallied and Treasury yields fell following a lower-than-expected increase in inflation, bolstering calls for the Federal Reserve (Fed) to end its tightening campaign
 - Headline CPI in June rose 3.0% year-over-year, the slowest pace in over two years, while core CPI rose 4.8%, the lowest rate since October 2021
 - PPI came in below expectations in June, as the final demand reading grew by just 0.1% year-over-year, while core PPI increased by 2.4%, the smallest increase since January 2021
- Cooling inflation reinforced assumptions that the Fed may halt further rate hikes after one final hike; markets anticipate a 25bp rate hike at July's FOMC meeting
- Treasury yields fell across the curve immediately after the June CPI print, with the 2-year Treasury falling 12bps on the day to 4.75%
 - With the 10-year Treasury yield at 3.86%, the 2-year/10-year inversion stands at 85bps compared to 106bps at June's close
- Investment grade issuers priced roughly \$24 billion, lighter than expected; corporate spreads were relatively unchanged month-to-date, tightening only 1bp to 122bps
- High-yield supply of a mere \$500 million and June's lower-than-expected CPI reading drove yields to 8.37% on Wednesday, the lowest level since February; spreads closed 8bps lower at 382bps, the tightest level since April 2022
- Mortgage-backed securities (MBS) outperformed other securitized sectors; housing affordability remains low, as the average rate for a 30-year mortgage reached above 7%, its highest level in seven months
- Municipals underperformed Treasuries as investors withdrew from municipal bond funds; the 2-year muni/Treasury ratio rose 3% month-to-date to 62%

Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
7/12/2023	4.75	4.07	3.86	4.14	3.95
MTD Change	-0.15	-0.08	0.02	0.06	0.09

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 thirdparty 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.