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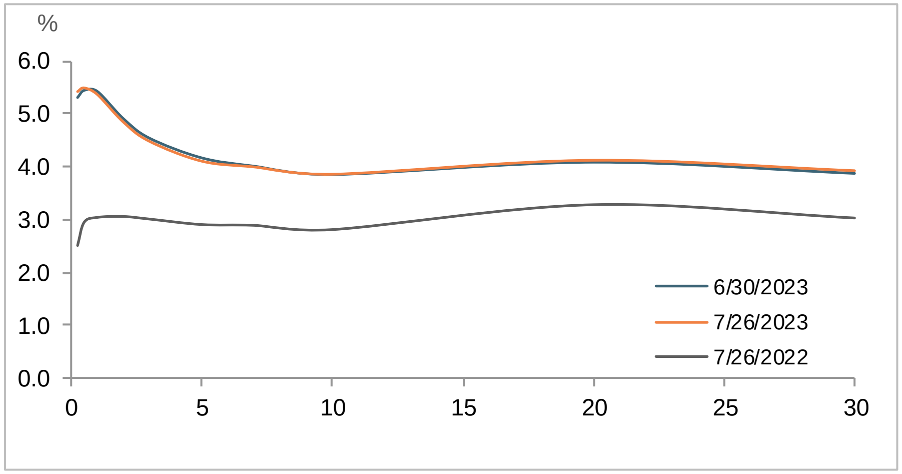
INCOME RESEARCH + MANAGEMENT

IR+M CLIENT UPDATE

July 21 – July 27, 2023

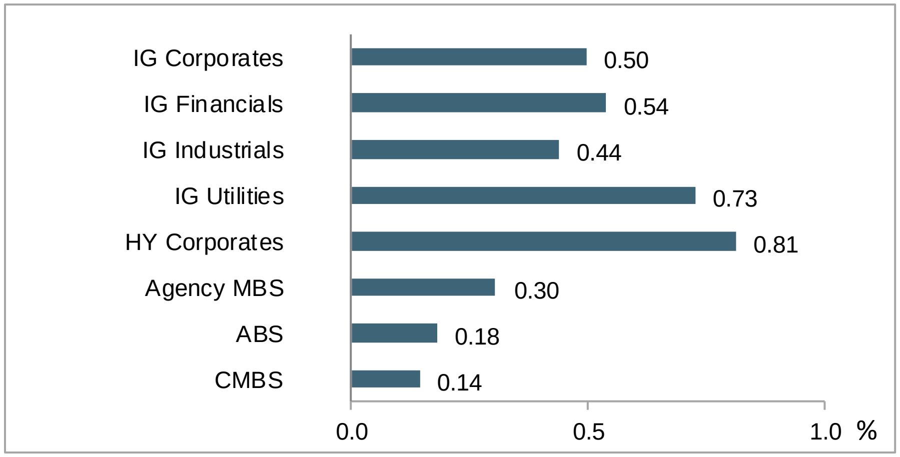
- The Dow Jones Industrial Average rose for a 13th consecutive day on Wednesday, marking the longest streak since 1987, as investors were encouraged by resilient economic data
  - Consumer confidence reached a two-year high at 117 in July, while pending home sales rose for the first time in four months
  - US GDP advanced at an annualized rate of 2.4% in the second quarter, while consumer spending increased 1.6%; both measures beat estimates and were boosted by spending on goods and services
- The Federal Reserve (Fed) unanimously voted to lift the federal funds target rate by 25bps to a range of 5.25% – 5.50%, the highest level in 22 years; despite Fed Chair Powell's comments that Fed officials no longer anticipate a recession, future hikes were not ruled out
  - Following the rate decision, Treasury rates fell on the day, though the yield curve broadly rose week-over-week; the 10-year Treasury yield rose 12bps to 3.87%
- Investment-grade corporate issuance trailed off this week with roughly $15 billion pricing, short of the $20 billion to $25 billion expected
  - Corporate spreads tightened 6bps week-over-week to 118bps, falling to a five-month low
- The high-yield market saw $2.6 billion of primary market issuance; the lighter-than-expected supply, combined with inflows into high-yield funds, drove increased demand for high-yield bonds
  - After tightening to 373bps on Monday, the lowest level since April 2022, high-yield spreads closed 5bps lower week-over-week at 376bps
- Mortgage-backed securities outperformed other securitized sectors as the MBA Mortgage Applications Index fell -1.8% week-over-week
- Municipal bond fund flows reached over $450 million during the week ending July 19th, marking the second straight week of inflows

Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
7/26/2023	4.85	4.12	3.87	4.13	3.94
MTD Change	-0.05	-0.04	0.03	0.06	0.08

Month-to-Date Excess Returns



Sources: Bloomberg and Bloomberg Index Services Limited

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