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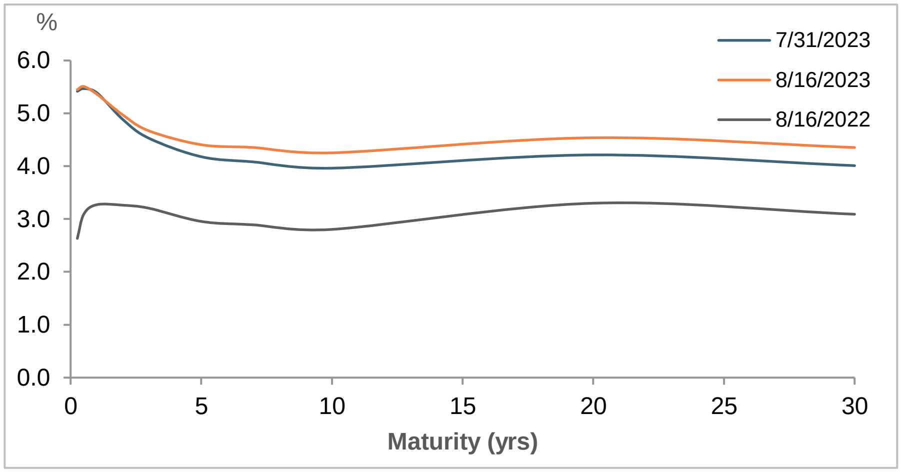
INCOME RESEARCH + MANAGEMENT

IR+M CLIENT UPDATE

August 11 – August 17, 2023

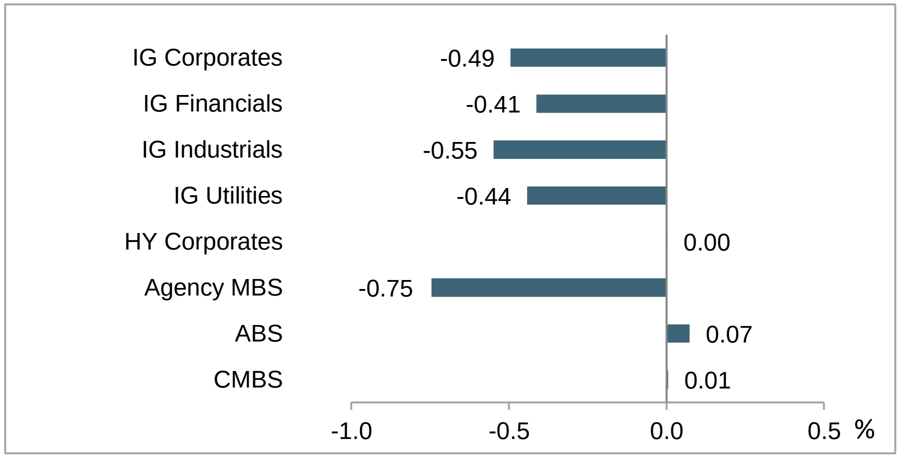
- Fixed income and equity assets sold off this week amid renewed concerns that the Federal Reserve may keep hiking rates as economic data continued to show strength
    - US retail sales rose more than expected in July, growing 0.7% month-over-month, and industrial production exceeded expectations of 0.3%, rising 1% month-over-month in July
- The minutes from the FOMC's July meeting indicated the potential for additional hikes to keep pushing inflation down
    - Treasury yields from the 2-year tenor and out rose on the week, while shorter-term yields held steady; the 10-year Treasury yield reached 4.31% Thursday, the highest level since 2007 and 30bps higher week-over-week
- The pace of investment-grade issuance slowed relative to the first half of August as roughly $14 billion of supply came to market this week
    - Spreads widened from 120bps to 122bps, while yields jumped by 27bps to 5.81%, the highest level since November 2022
- Concerns over future rate hikes saw high-yield bonds post losses for four straight days; approximately $3 billion priced during the week
    - High-yield spreads tightened 11bps to 374bps given light primary market activity and continued strong corporate fundamentals; yields rose by 10bps to 8.57%, the highest since August 3rd
- Climbing yields pushed 30-year mortgage rates to their highest mark since 2001, while the MBA Purchase Index, a measure of home loan applications in the US, dropped to its second-lowest level since 1995; Agency MBS continued to lag other spread sectors in August
- Municipal bonds outperformed Treasuries on the week as year-to-date supply is down 9% from the same point last year and at its lowest level since 2019; the 10-year muni/Treasury ratio fell by 3% to 64%

Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
8/16/2023	4.97	4.41	4.25	4.54	4.35
MTD Change	0.09	0.23	0.29	0.33	0.34

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 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.