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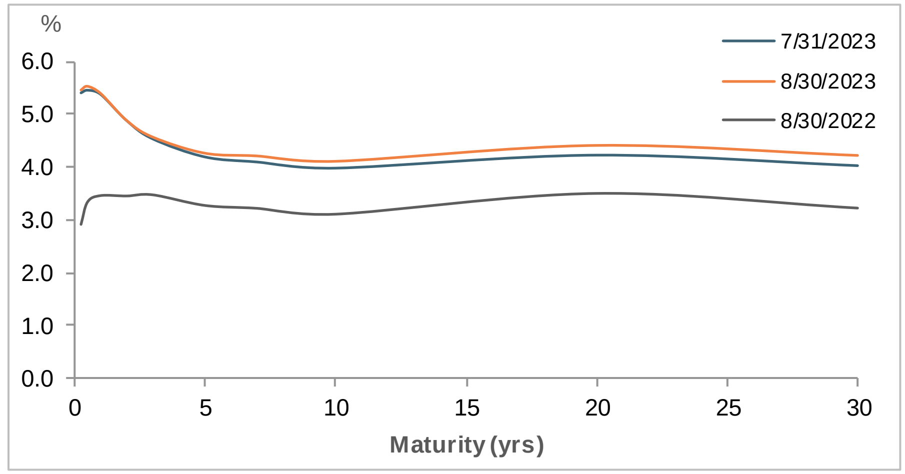
INCOME RESEARCH + MANAGEMENT

IR+M CLIENT UPDATE

August 25 – August 31, 2023

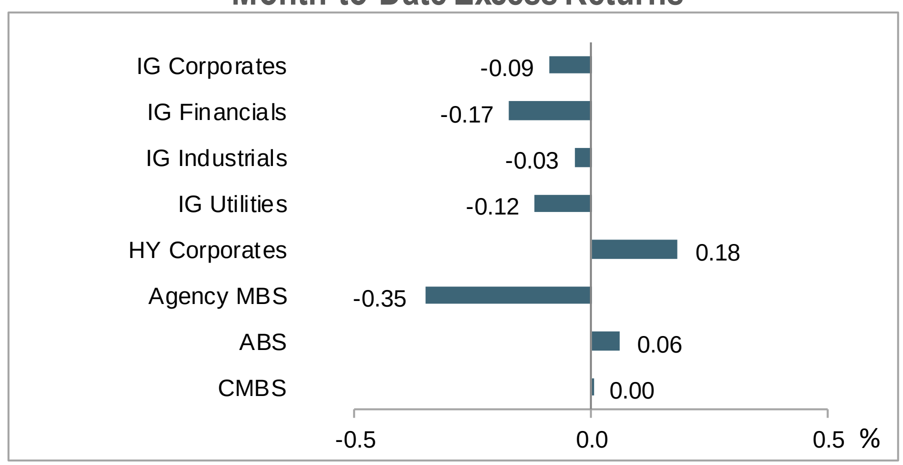
- Economic data provided mixed signals to investors as cooling labor market data accompanied a sticky inflation reading, leaving markets uncertain about the direction of the economy and the Federal Reserve's (Fed) next steps
  - US job openings declined to 8.8 million in July, well below the 9.5 million expected, while just 177,000 jobs were created in August, falling from 371,000 the month prior
  - Inflation ticked up slightly in July, as the Personal Consumption Expenditures (PCE) Index grew by 0.2% month-over-month, while the Core PCE Index increased by 0.2% for the second straight month; both measures were in line with expectations
- At Friday's Jackson Hole meeting, Fed Chair Powell acknowledged that tighter monetary policy over the past 18 months has made progress bringing down inflation, but it remains above the Fed's 2% target
  - Treasury yields fell week-over-week, and expectations are for the Fed to hold rates steady at September's FOMC meeting
- Just $1 billion of new supply provided a tailwind for investment-grade corporates, with spreads tightening by 2bps to 118bps
  - Investors pulled $970 million from investment-grade bond funds, taking the streak of outflows to $2.5 billion over the past three weeks
- High-yield spreads were supported by light supply and tightened by 12bps to 370bps, while yields fell by 18bps to 8.42%
- Commercial mortgage-backed securities (CMBS) continued to see a lack of supply; year-to-date private-label issuance reached $28 billion, about 67% lower than this time last year
- Muni/Treasury ratios edged slightly higher week-over-week while municipal bond mutual funds saw outflows for a fourth consecutive week, as investors withdrew $636 million, the most since late May

Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
8/30/2023	4.89	4.27	4.12	4.42	4.23
MTD Change	0.01	0.09	0.15	0.20	0.22

Month-to-Date Excess Returns



Sources: Bloomberg and Bloomberg Index Services Limited

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