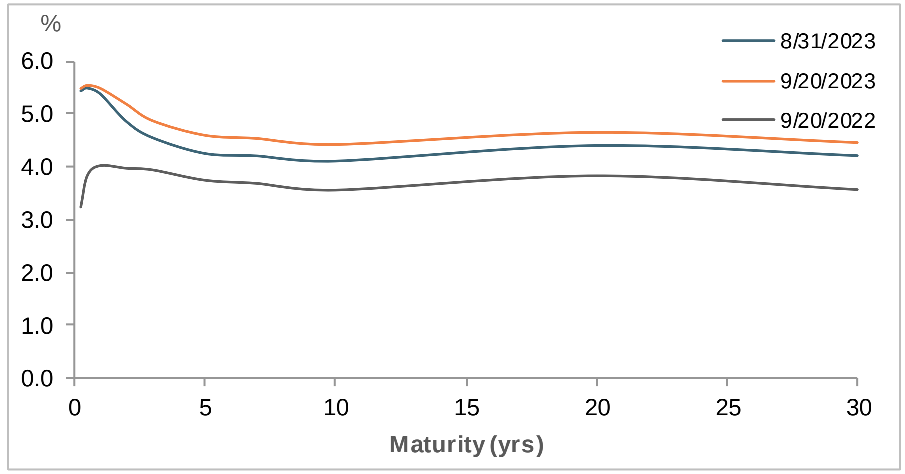
INCOME RESEARCH + MANAGEMENT

IR+M CLIENT UPDATE

September 15 – September 21, 2023

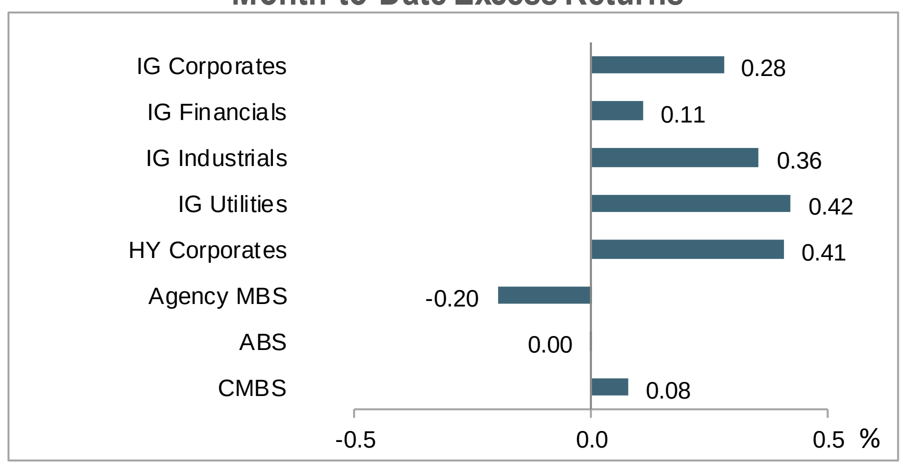
- Stocks sold off and Treasury yields rose to their highest level since 2013 after Federal Reserve (Fed) Chair Powell struck a hawkish tone at the FOMC press conference, reiterating that rates would remain higher-for-longer
    - The housing market is feeling the effects of higher rates; existing home sales, homebuilder sentiment, and housing starts have all fallen to their lowest levels in five months
- The Fed unanimously voted to leave the fed funds range unchanged at 5.25% – 5.50%; the Fed's updated dot plot signaled at least one more hike before year-end
    - Following Powell's comments, the 10- and 30-year Treasury rates jumped to multi-year highs of 4.41% and 4.44%, respectively, and the 2-year yield reached 5.18%, its highest level since 2006
- After Monday's busy session saw 10 investment-grade issuers price almost $15 billion of new debt, supply tapered off ahead of the FOMC meeting; weekly supply totaled roughly $16 billion, in-line with estimates
    - Relatively light supply compared to recent weeks provided a tailwind for corporate spreads, which tightened 5bps week-over-week to close at 116bps
- High-yield issuance continued to flow with over $5 billion pricing this week; supply is expected to slow, especially in a higher-for-longer rate environment
    - Investor's robust appetite for yield pushed spreads 5bps tighter to 369bps, while yields rose 8bps to 8.60%
- Mortgage-backed securities (MBS) underperformed week-over-week amid the elevated rate outlook, with spreads widening by 7bps to 59bps, 17bps wide to the 5-year trailing average
- Muni/Treasury ratios fell over the week, with the 2-year ratio dropping 2% to 62%, as municipals outperformed Treasuries across the curve

Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
9/20/2023	5.18	4.59	4.41	4.64	4.44
MTD Change	0.31	0.33	0.30	0.23	0.23

Month-to-Date Excess Returns



Sources: Bloomberg and Bloomberg Index Services Limited