INCOME RESEARCH + MANAGEMENT

IR+M CLIENT UPDATE
November 2023

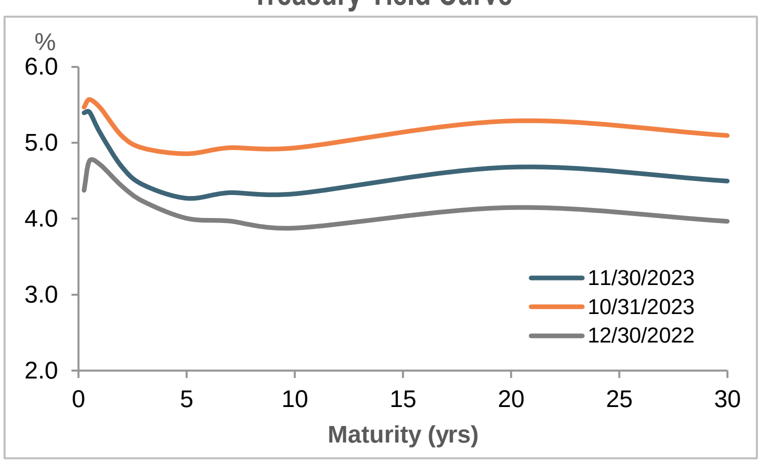
December 1, 2023

MARKET NEWS

- Risk assets experienced positive returns in November, as the US House passed a short-term funding deal to avert a government shutdown; economic data was mixed, with inflation readings continuing to show signs of moderation
    - Inflation slowed in October, as US CPI rose at an annualized rate of 3.2%; while PPI grew 1.3%, both measures were below estimates; Core PCE, the Federal Reserve's (Fed) preferred inflation measure, grew by 3.5%
    - Estimates of third-quarter GDP growth hit 5.2%, the highest level in nearly two years
    - Cooling labor market data saw the US unemployment rate rise to 3.9%, the highest level in nearly two years, and nonfarm payrolls increase by 150,000, which was less than expected
- Treasury yields declined across the curve, as the 10-, 20-, and 30-year rates each fell by 60bps or more on the back of softer inflation data and the Fed's decision to leave the fed funds target range unchanged at the November FOMC meeting
- Investment-grade issuance of $98 billion during November was met with strong demand, as deals were generally oversubscribed and new issue concessions were minimal; estimates point to $30 billion of supply for December, well above the $7 billion that came to market in December 2022
    - Investment-grade corporate spreads narrowed 25bps on the month to 104bps, the tightest level since January 2022, and yields sunk 75bps to 5.60%, as November marked the strongest month of performance since December 2008
- High-yield primary market activity picked up in November with over $19 billion of new issuance, more than double October's $9 billion in supply; year-to-date issuance totals $163 billion
    - High-yield bonds reversed their downward trend to post a 4.53% gain month-over-month, the most in over a year; spreads tightened 67bps to 370bps, and yields plummeted 106bps to 8.43%
- The decline in Treasury yields and volatility during November helped agency mortgage-backed securities (MBS) outperform other securitized products on the month, resulting in the largest monthly total return since May 1985
- For the month, municipals outperformed Treasuries across the curve, as the 2- and 10-year muni/Treasury ratios declined by 13% and 12%, respectively, to 61% and 62%

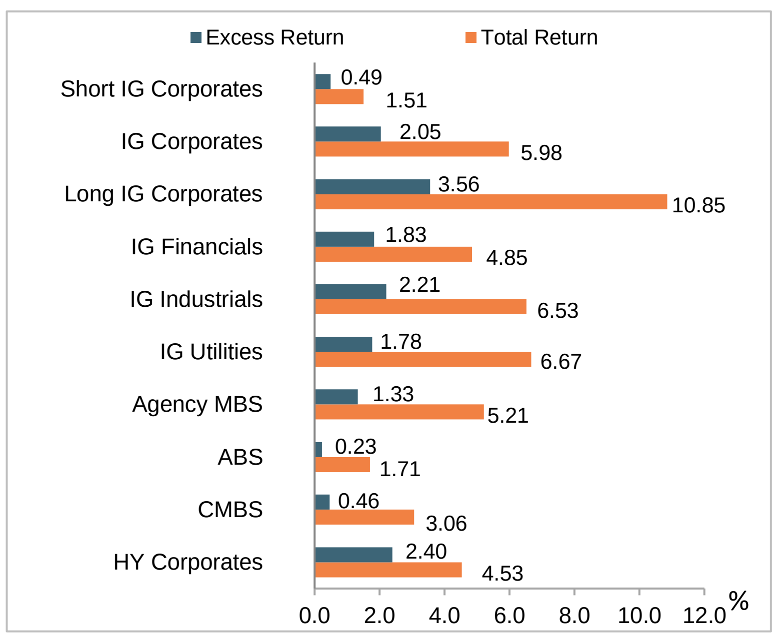
MARKET STATISTICS

Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
11/30/2023	4.68	4.27	4.33	4.68	4.50
MTD Change	-0.41	-0.59	-0.61	-0.61	-0.60
YTD Change	0.25	0.26	0.45	0.53	0.53

MTD Returns



As of: 11/30/23. Sources: Bloomberg

Excess returns are the curve-adjusted excess return of a given index relative to a term structure-matched position in Treasuries.