IR+M

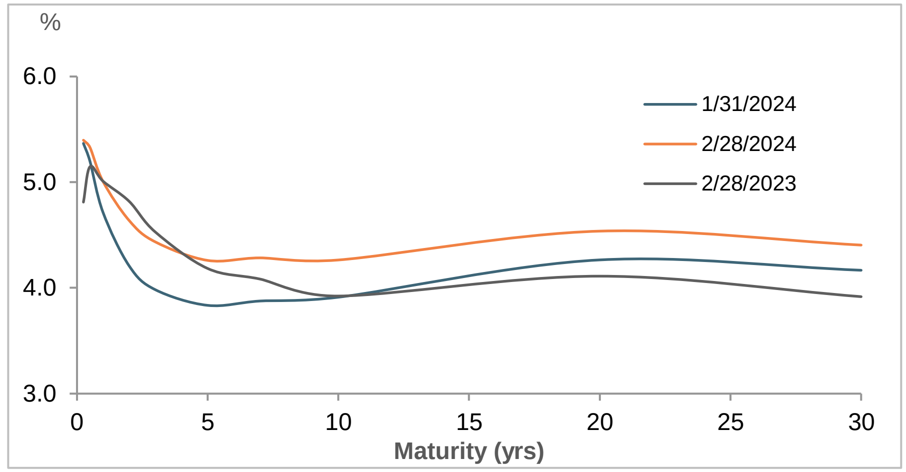
INCOME RESEARCH + MANAGEMENT

IR+M CLIENT UPDATE

February 23 – February 29, 2024

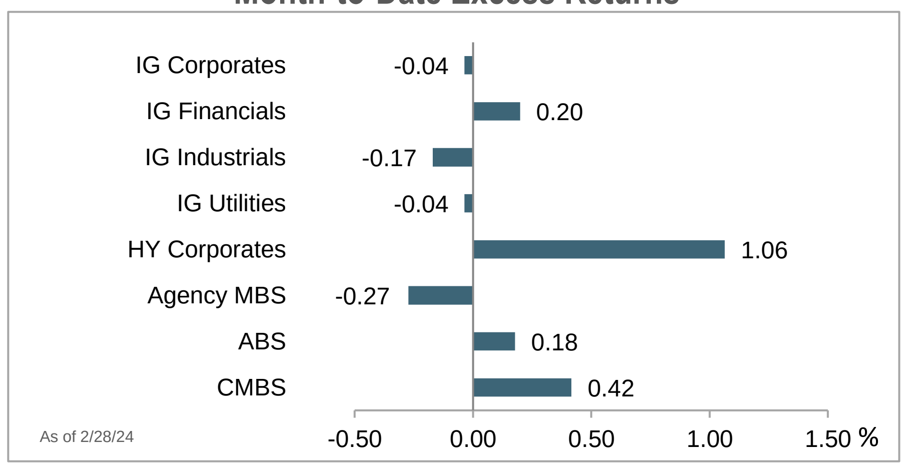
- Markets reacted with cautious optimism to a heavy slate of economic data this week
    - Core PCE, the Federal Reserve's (Fed) preferred inflation measure, grew in line with estimates at an annualized rate of 2.8% in January and remains above the Fed's 2% target
    - US consumer confidence declined in February for the first time since October, while durable goods orders fell by 6.1%; both measures were weaker than expected
    - New home sales increased during January, but were still below estimates; the median new home price fell to $420,700
- The US Treasury auctioned $63 billion, $64 billion, and $42 billion in 2-year, 5-year, and 7-year notes this week, respectively, and were met with lukewarm demand in an already crowded primary issuance market
    - Despite initially increasing following the auctions, Treasury yields ended the week lower across the board
- Supply continued to pour into the investment-grade primary market as over $53 billion priced this week, surpassing estimates of $35 billion
    - Corporate spreads widened by 5bps week-over-week to close at 95bps, and yields rose by 2bps to 5.42%
- The high-yield primary market absorbed almost $4 billion of supply this week as investor appetite for fresh debt remained strong;
    - Spreads narrowed by 2bps to 314bps, and yields fell by 2bps to 7.88%
- Asset-backed securities and commercial mortgage-backed securities continued to outperform Treasuries month-to-date, as an industry conference led to light supply
- Investors contributed $530 million to municipal bond mutual funds for the seventh straight week

Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
2/28/2024	4.64	4.26	4.27	4.54	4.41
MTD Change	0.43	0.43	0.35	0.27	0.24

Month-to-Date Excess Returns



Sources: Bloomberg and Bloomberg Index Services Limited. All commentary and data as of 2/29/24 unless otherwise noted.