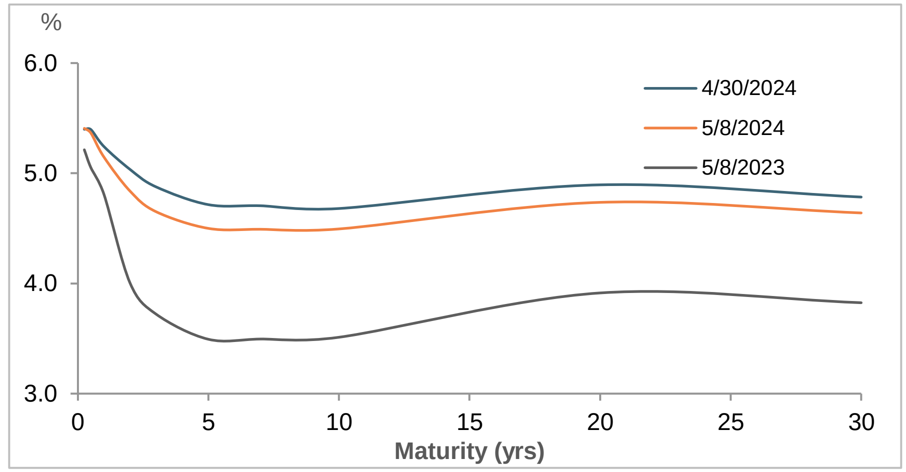
INCOME RESEARCH + MANAGEMENT

IR+M CLIENT UPDATE

May 1 – May 9, 2024

- Risk assets rallied this week as market expectations for rate cuts were given a boost following weaker than expected labor market data
  - Job openings fell in March, April's US nonfarm payrolls came in weaker-than-expected, and the US unemployment rate rose to 3.9%, above estimates
  - April's ISM Services PMI fell to 49.4, the first contractionary reading since 2022, led by a decline in the business activity index
- Federal Reserve (Fed) officials voted to keep the fed funds target range unchanged at 5.25% - 5.50% during the May FOMC meeting
  - Treasury yields fell on the month following last week's dovish comments from Chair Powell; the 10-year Treasury yield fell 19bps to 4.50%
- Issuers stormed the investment-grade primary market this week to supply over $53 billion of new deals, blowing past dealer estimates of $30 billion; month-to-date issuance totals over $57 billion
  - Investment-grade corporate spreads narrowed by 1bp to 86bps month-to-date, and yields fell by 21bps to 5.52%
- High-yield issuers flooded the primary market with fresh debt amidst lower borrowing costs, supplying over $12 billion month-to-date
  - Spreads reached their tightest level in two years of 289bps earlier in the week before widening by 6bps on the month to 295bps; yields fell by 23bps to 7.88%
- Asset-backed securities underperformed other securitized sectors amid a healthy influx of new issuance as Treasury yields fell, opening the door for issuers to take advantage of sustained demand for fresh debt
- Municipals generally performed in line with Treasuries month-to-date; the 10-year muni/Treasury ratio remained unchanged at 59%

Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
5/8/2024	4.84	4.50	4.50	4.74	4.64
MTD Change	-0.20	-0.22	-0.19	-0.16	-0.15

Month-to-Date Excess Returns