INCOME RESEARCH + MANAGEMENT

IR+M CLIENT UPDATE
March 2024

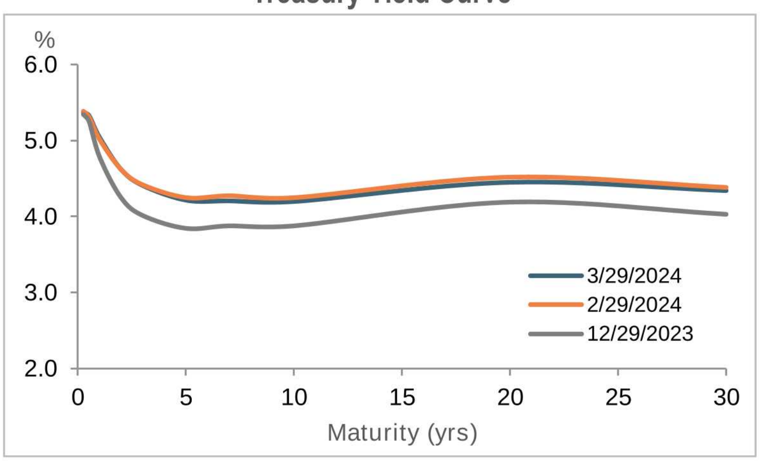
April 1, 2024

MARKET NEWS

- Equities continued their positive trajectory in March with the S&P reaching another all-time high, its fifth straight month of gains, while credit spreads continued to tighten amid strong economic data
  - February CPI rose by 3.2% year-over-year, slightly above expectations, and Core PCE, the Federal Reserve (Fed)'s preferred metric, grew by 2.8% year-over-year, in-line with estimates, but above the Fed's 2% target
  - Healthy US employment gains continued with non-farm payrolls increasing by 275,000 in February, and US consumer sentiment rose significantly at the end of March, led by strong market gains and expectations that inflation will continue to ease
- At its March meeting, the Fed voted to keep the fed funds target range unchanged at 5.25% - 5.50%; market expectations now point to less than three rate cuts for the remainder of 2024 following Fed official's hawkish comments that rates should remain restrictive
  - Treasury rate volatility declined as yields fell marginally across the curve in March; the biggest move was in the 20-year Treasury, which fell by 7bps to 4.45%
- Investment-grade issuance continued its record-setting pace, defying expectations of $130 billion, as over $142 billion priced in March; $529 billion priced during the first quarter, 34% higher- year-over-year
  - Despite the heavy issuance, corporate spreads tightened by 6bps to 90bps, and yields fell by 11bps to 5.30%
- High-yield issuers piled into the primary market in March amidst tight spreads, a resilient economy, and stable yields; issuers supplied another $26 billion, bringing first quarter's issuance to more than $84 billion, a 116% increase year-over-year
  - High-yield spreads tightened by 13bps to 299bps,the tightest month-end level since December 2021, and yields fell by 20bps to 7.66%
- Asset-backed securities (ABS) underperformed other securitized sectors given heavy supply; ABS issuance is approximately 45% higher year-over-year at roughly $95 billion
- Despite an uptick in municipal primary issuance in March, muni/Treasury ratios remained relatively unchanged and at their historical tights, as the market easily absorbed current supply levels

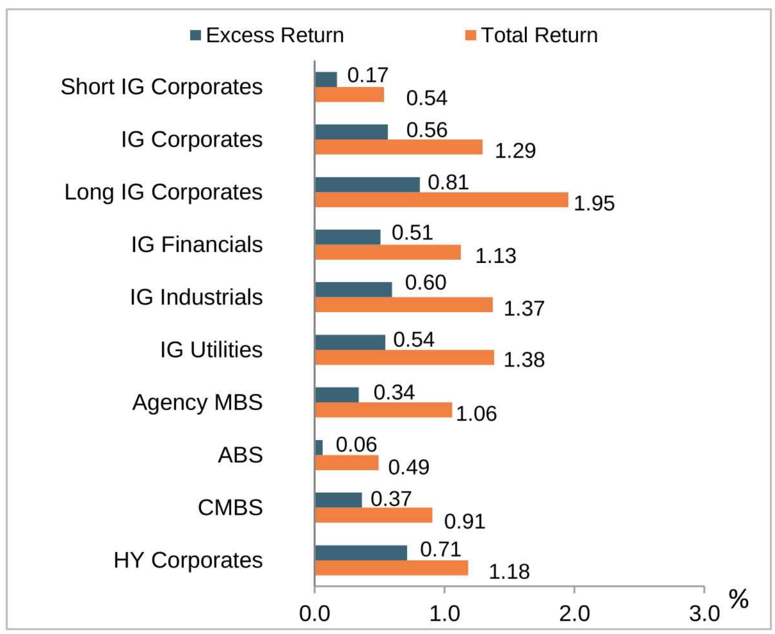
MARKET STATISTICS

Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
3/29/24	4.62	4.21	4.20	4.45	4.34
MTD Change	0.00	-0.04	-0.05	-0.07	-0.04
YTD Change	0.37	0.37	0.32	0.26	0.31

MTD Returns



As of: 3/29/24. Sources: Bloomberg

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