



MARKET COMMENTARY

Fixed Income Market Summary

The bond market selloff continued in April as the yield curve climbed higher and steeper. Real rates, as measured by the TIPS market, also turned positive for the first time since March 2020. Investors now expect the Fed to increase its key benchmark rate by half a percentage point in May and leave the door open for further hikes of that magnitude in subsequent meetings. At the same time, the Fed is also poised to shrink its balance sheet by hundreds of billions by year-end in an effort to combat stubbornly high levels of inflation.

Structured

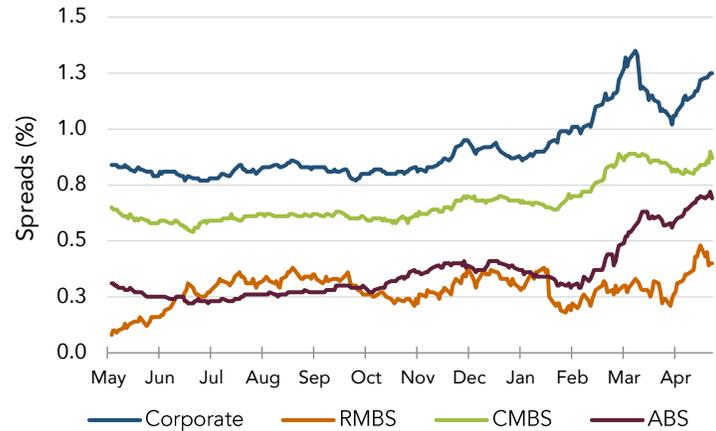
Structured sectors demonstrated mixed results in April. Ahead of the Fed's impending balance sheet reduction, Agency RMBS failed to keep pace with Treasuries and spreads widened 16 basis points (bps) on average as the conventional 30-year mortgage rate climbed to 5% for the first time since 2011. Non-Agency CMBS was essentially flat to Treasuries for much of the month and held in better than traditional RMBS due to limited supply, though spreads widened a few bps to end the month. Supply is expected to return once expectations for rates and spreads stabilize, and borrowers have a clearer picture of the months ahead. For Agency CMBS, reduced supply and demand for favorable convexity contributed to flat performance. ABS spreads are wider due to diminished investor demand, and we are seeing new deals pricing wider than initial estimates.

Corporate Credit

Corporates repriced significantly in April, with spreads moving out nearly 20 bps on average. Despite increased borrowing costs, corporate issuance was healthy, particularly within the banking sector as issuers are pulling forward their annual issuance in anticipation of higher rates in the back half of the year. Unlike the CMBS market, IG Corporate issuance surprised to the upside, with \$112.3 billion in new supply and outpaced the monthly estimate of \$100 billion, though activity slowed towards month-end as risk sentiment deteriorated.

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SPREADS TO TREASURIES



TREASURY YIELD CURVE CHANGES

	YTM	Change From Previous Month
3 Month	0.82%	+0.34%
1 Year	2.06%	+0.46%
2 Year	2.72%	+0.38%
3 Year	2.89%	+0.38%
5 Year	2.96%	+0.50%
10 Year	2.93%	+0.59%
30 Year	3.00%	+0.55%

BLOOMBERG AGGREGATE SECTOR DATA

	Total Return MTD	Excess Return* MTD	YTM
Corporates	-5.47%	-1.40%	4.30%
Financials	-4.13%	-1.20%	4.26%
Industrials	-6.04%	-1.52%	4.31%
Utilities	-6.47%	-1.26%	4.42%
RMBS	-3.51%	-1.05%	3.59%
CMBS	-2.31%	-0.06%	3.78%
ABS	-0.76%	-0.07%	3.34%
Agencies	-1.68%	-0.08%	3.01%

*Month-to-date performance of spread bearing bonds versus duration-matched Treasuries