

Executive Summary

Fixed income assets experienced modest gains in April as markets rebounded following the volatility in the prior month. Intermediate- and long-term yields were flat; however, short-term yields rose, reflecting market expectations of upcoming monetary policy decisions. The yield for on-the-run 3-month Treasury bills ended the month at 5.07% - levels last seen in early 2007. These dynamics led to declining interest rate volatility over the period, as measured by the MOVE Index. Volatility across the bond market remains elevated on a relative basis due to the recent banking sector turmoil and uncertainty around monetary policy. The liquidity issues plaguing financial institutions continue to weigh on capital markets and add to credit condition concerns. Markets may signal a potential credit crunch as banks have begun increasing loan loss provisions to protect against rising delinquencies and defaults.

Furthermore, credit availability has taken a hit as the US money supply, measured by M2, has declined precipitously amid year-over-year growth, becoming negative for the first time on record. Conversely, a popular measure of credit risk in the economy is the TED spread which takes the difference between the interest rate on 3-month T-bills and 3-month LIBOR. As shown below, the TED spread increased in March, reflecting the banking concerns but has subsequently declined since that peak. The TED spread ended the month at 0.23% - in line with the long-term historical average – suggesting that the market perceives low credit risk in the overall economy.

The latest FOMC meeting resulted in another 25 bps hike to the fed funds rate as the target range now stands at 5.00 – 5.25%. Language from the meeting shifted toward a hawkish pause as further policy decisions will hinge on economic data and provide the Fed with more optionality. Chairman Powell emphasized the resilience in the US banking sector amid the lending facility usage in recent weeks. Through the end of April, lending from the Bank Term Funding Program surged to a record \$81 billion as discount window borrowing climbed to \$74 billion. Combined borrowing from the two facilities topped \$155 billion to end the month, providing ample liquidity to those in need. As investors look ahead, the market is pricing in no change to the policy rate at the following two FOMC meetings in June and July. However, Fed fund futures anticipate a policy pivot in late 2023 with a 53% probability of a 25 bps rate cut at the September meeting. Another 25 bps cut is being favored by market participants in November as well. While future policy decisions remain data dependent, the Fed will closely monitor PCE, PPI, and other economic releases due in May.

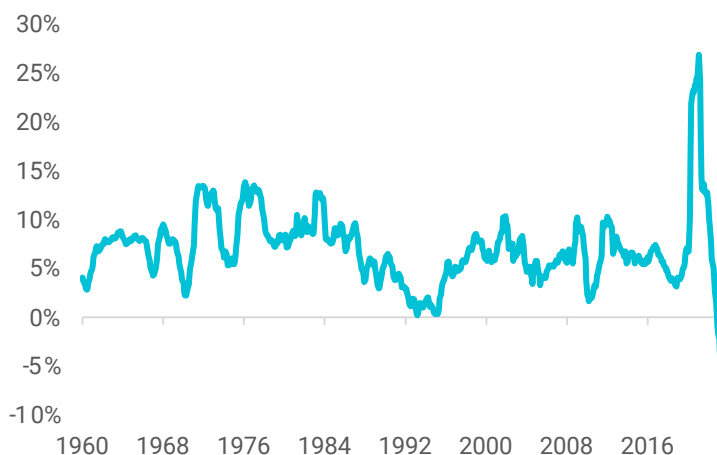
Index Total Returns (%)	1 Mo.	3 Mo.	1 Yr.	3 Yr.
BBg Barc Global Aggregate	0.44	0.17	-2.31	-3.91
BBg Barc Global Aggregate ex-US	0.29	-0.12	-3.90	-4.68
BBg Barc US Aggregate	0.61	0.49	-0.43	-3.14
BBg Barc US Intermediate Aggregate	0.58	0.61	0.30	-2.14
S&P Global Dev. Sov. ex-US Bond Index	-0.03	0.93	-5.41	-4.39
S&P Eurozone Dev. Sovereign Bond	1.52	1.68	-3.24	-4.93
S&P Pan-Europe Dev. Sovereign Bond	1.32	1.47	-4.71	-5.68
ICE BofAML Emerging Markets Sov. Bond	0.18	-0.25	0.03	0.65
S&P US Current 2-Year Tsy Bond Index	0.22	1.00	0.55	-0.97
S&P US Current 10-Year Tsy Bond Index	0.72	1.38	-1.48	-6.06
S&P US Current 30-Year Tsy Bond Index	0.16	0.05	-11.08	-14.39
BBg Barc US Floating Rate Notes (<5 Yr)	0.63	1.19	3.75	2.11
S&P US Treasury TIPS	0.08	1.53	-2.98	1.35
BBg Barc Municipal Bond Index	-0.23	-0.32	2.87	0.70
BBg Barc Global Aggregate - Corporate	1.18	0.65	0.03	-1.95
BBg Barc US Investment Grade Corporate	0.77	0.28	0.68	-1.97
BBg Barc US Corporate (AA)	0.69	0.82	-0.20	-3.68
BBg Barc US Corporate (BBB)	0.77	0.33	0.54	-2.47
BBg Barc US Corporate High Yield	1.00	0.77	1.22	4.70
S&P/LSTA Leveraged Loan	1.19	1.23	3.70	5.75
BBg Barc Global Agg Securitized - US MBS	0.52	-0.23	-0.88	-3.35
BBg Barc Global Agg Securitized - US ABS	0.50	0.94	1.65	0.30

Key Rates (%/ bps)	Current	1 Mo. Change	3 Mo. Change	1 Yr. Change	3 Yr. Change
US 3 Month	5.07	+32	+41	+424	+498
US 2 Year	4.06	-1	-15	+136	+388
US 5 Year	3.54	-7	-10	+62	+319
US 10 Year	3.45	-5	-8	+56	+283
US 30 Year	3.67	-1	+2	+73	+239
1 Month USD LIBOR	5.06	+20	+49	+426	+473
3 Month USD LIBOR	5.30	+11	+49	+397	+475
6 Month USD LIBOR	5.41	+9	+31	+350	+465
12 Month USD LIBOR	5.37	+6	+3	+274	+450

Source: FactSet for all index and market data, shown in USD as of April 30, 2023.

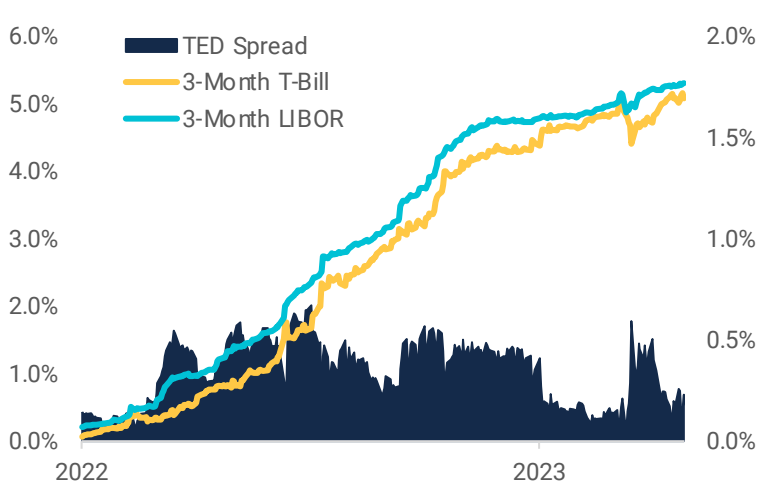
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US Money Supply (M2) – YoY Growth (%)



Source: FactSet. Monthly US money supply, measured by M2. For the period 1960 to 2023.

TED Spread – 2022 to Present



Source: FactSet. Daily TED Spread, for the period January 2022 to April 2023.

Notes & Disclosures

Index Returns – all shown in US dollars

All returns shown trailing 4/30/2023 for the period indicated. "YTD" refers to the total return as of prior-year end, while the other returns are annualized. 3-month and annualized returns are shown for:

- The Barclay's US Aggregate Index, a broad-based unmanaged bond index that is generally considered to be representative of the performance of the investment grade, US dollar-denominated, fixed-rate taxable bond market.
- The ICE BofAML Emerging Markets Sovereign Bond Index is a subset of The BofA Merrill Lynch World Sovereign Bond Index excluding all securities with a country of risk that is a member of the FX G10, all Western European countries, and territories of the U.S. and Western European countries. The FX G10 includes all Euro members, the U.S., Japan, the U.K., Canada, Australia, New Zealand, Switzerland, Norway, and Sweden.
- The Bloomberg Barclays Global Aggregate Index, which measures global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.
- The S&P Global Developed Sovereign Bond index includes local-currency denominated debt publicly issued by governments in their domestic markets.
- S&P Eurozone Developed Sovereign Bond - seeks to measure the performance of Eurozone government bonds.
- The S&P Pan-Europe Developed Sovereign Bond Index is a comprehensive, market-value-weighted index designed to track the performance of local currency-denominated securities publicly issued by Denmark, Norway, Sweden, Switzerland, the U.K. and developed countries in the Eurozone for their domestic markets.
- ICE BofAML Emerging Markets Sovereign Bond - tracks the performance of US dollar (USD) and Euro denominated emerging markets non-sovereign debt publicly issued within the major domestic and Eurobond markets.
- The Bloomberg Barclay's US Corporate Bond Index (AA), which measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD denominated securities publicly issued by US and non-US industrial, utility and financial issuers.
- The Bloomberg Barclay's US Corporate High Yield Index, which covers the USD-denominated, non-investment grade, fixed-rate, taxable corporate bond market.
- Bloomberg Barclay's Global Aggregate Securitized- US Mortgage-Backed Securities, which is a component of the Bloomberg Barclay's US Aggregate Index and measures investment grade mortgage backed pass-through securities of GNMA, FNMA, and FHLMC.
- Bloomberg Barclay's Global Aggregate Securitized- US Asset-Backed Securities, which is a component of the Bloomberg Barclay's US Aggregate Index and includes the pass-throughs, bullets, and controlled amortization structures of only the senior class of ABS issues.
- The Bloomberg Barclay's US Floating Rate Notes (<5 Yr) Index, measures the performance of U.S dollar-dominated, investment grade floating rate notes with maturities less than 5 years.
- The Bloomberg Barclay's Municipal Bond Index, which measures investment grade, tax-exempt bonds with a maturity of at least one year.
- The S&P/ LSTA Leveraged Loan Index is designed to reflect the performance of the largest facilities in the leveraged loan market.

An index is a portfolio of specific securities, the performance of which is often used as a benchmark in judging the relative performance to certain asset classes. Index performance used throughout is intended to illustrate historical market trends and performance. Indexes are managed and do not incur investment management fees. An investor is unable to invest in an index. Their performance does not reflect the expenses associated with the management of an actual portfolio. No strategy assures success or protects against loss. There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk. All investing involves risk including loss of principal. Investing in stock includes numerous specific risks including: the fluctuation of dividend, loss of principal, and potential liquidity of the investment in a falling market. Past performance is no guarantee of future results.

Key Rates

Key Rates are shown for US Treasuries and London Interbank Offered Rate (LIBOR), the interest rate at which banks offer to lend funds (wholesale money) to one another in the international interbank market. LIBOR is a key benchmark rate that reflects how much it costs banks to borrow from each other. "Current" refers to the percentage rate as of 2/28/2023, while the rates of change are stated in basis points.

Credit Spreads

Credit Spreads shown comprise the Option-Adjusted Spread of the indices indicated, versus the US 10-Year Treasury Yield. "Current" refers to the spread as of 2/28/2023, while the rates of change are stated in basis points.

Key Indicators

Key Indicators correspond to various macro-economic and rate-related data points that we consider impactful to fixed income markets.

- 2s10s (bps)/ 10 Yr vs 2 Yr Treasury Spread, which measures the difference between yields on 10-Year Treasury Constant Maturity Securities and 2-Year Treasury Constant Maturity Securities.
- West Texas Intermediate, which is an oil benchmark and the underlying asset in the New York Mercantile Exchange's oil futures contract.
- Core Consumer Price Index, which measures the consumer price index excluding food and energy prices. Shown as of the prior month-end.
- Breakeven Inflation: 5 Yr %/ bps, which uses a moving 30-day average of the 5-Year Treasury Constant Maturity Securities and 5-Year Treasury Inflation-Indexed Constant Maturity Securities to derive expected inflation.
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General Disclosure

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Not Bank Deposits or Obligations	May Lose Value

