

MACRO

The Federal Reserve (Fed) held rates steady at the March 20, 2024, Federal Open Market Committee (FOMC) meeting, but continued to suggest policy rate easing later this year is likely.

The FOMC’s Summary of Economic Projections for 2024 illustrated a substantial increase in GDP expectations and forecasted inflation to persist above the Fed’s 2% policy objective for the balance of the year.

U.S. Treasury yields drifted modestly lower in the days following the meeting, ultimately resulting in the lowest level of interest rate volatility, as measured by the ICE BofAML MOVE Index, in approximately two years.

CREDIT

Another active month in primary markets resulted in more than \$500 billion in total first quarter issuance, a record pace to start the year.

Despite the record pace of supply, credit spreads compressed 5 basis points (bps), generating positive excess returns for the sector.

The Financials sub-sector outperformed for the first quarter, as spreads compressed 7 bps. Valuations are now more in line with other sub-sectors, after languishing for much of 2023 following the regional banking crisis.

STRUCTURED

Asset-backed (ABS) issuance remained robust in March and, like recent months, was well-absorbed by investors.

Mortgage-backed securities (MBS) had solid performance in March, which helped offset a weak start to the year. Nonetheless, MBS stands out as the lone sector with negative excess returns year to date.

CHART OF THE MONTH

1Q Corporate Issuance
Total Volume & Deal Count



- The robust corporate issuance was well received by investors as many deals were well over-subscribed, allowing for spread compression despite relentless supply.
- Unsurprisingly, new issue concessions were relatively sparse as corporate borrowers capitalized on the favorable environment.

As of 3/31/2024. Source: Bloomberg L.P.

MARKET DATA

Yields	YTM %	MTD Change	QTD Change	YTD Change
3-Mo UST	5.37	-0.01	0.03	0.03
2-Yr UST	4.62	0.00	0.37	0.37
5-Yr UST	4.21	-0.03	0.37	0.37
10-Yr UST	4.20	-0.05	0.32	0.32
30-Yr UST	4.34	-0.04	0.32	0.32
Risk Premia	OAS %	MTD Change	QTD Change	YTD Change
Investment Grade Credit	0.85	-0.05	-0.08	-0.08
Asset-Backed Securities	0.55	0.00	-0.13	-0.13
High Yield	2.99	-0.13	-0.24	-0.24

As of 3/31/2024. Source: Bloomberg L.P.

[BLOOMBERG SECTOR/INDEX PERFORMANCE (USD)]

Sector	Duration (yrs.)	Percent			
		MTD Excess Return	YTD Excess Return	MTD Total Return	YTD Total Return
Sector					
Investment Grade Credit	6.73	0.51	0.83	1.23	-0.41
Mortgage-Backed Securities	6.04	0.34	-0.14	1.06	-1.04
Asset-Backed Securities	2.55	0.06	0.54	0.49	0.68
High Yield	3.09	0.71	1.59	1.18	1.47
Index					
1-3-Yr Government/Credit	1.76	0.04	0.09	0.40	0.42
Intermediate Government/ Credit	3.69	0.14	0.22	0.64	-0.15
U.S. Aggregate	6.14	0.24	0.23	0.92	-0.78

As of 3/31/2024. Source: Bloomberg L.P.

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