

MACRO

In a speech at the Jackson Hole Economic Symposium on August 23, Federal Reserve (Fed) Chair Jerome Powell signaled that rate cuts will likely commence at the upcoming Federal Open Market Committee meeting in September.

Chair Powell and other Fed officials emphasized that given the weaker state of the labor market, further cooling is not desired given the recent progress with inflation.

U.S. Treasury yields responded to the dovish messaging by moving lower. Shorter-dated maturities experienced the sharpest declines, ultimately resulting in a steeper yield curve.

CREDIT

New issuance for August came in over \$100 billion. This both exceeded expectations and was generally well received despite volatile conditions in the beginning of August.

Both investment grade and high yield credit spreads were able to quickly rebound from the sudden sell off at the beginning of the month.

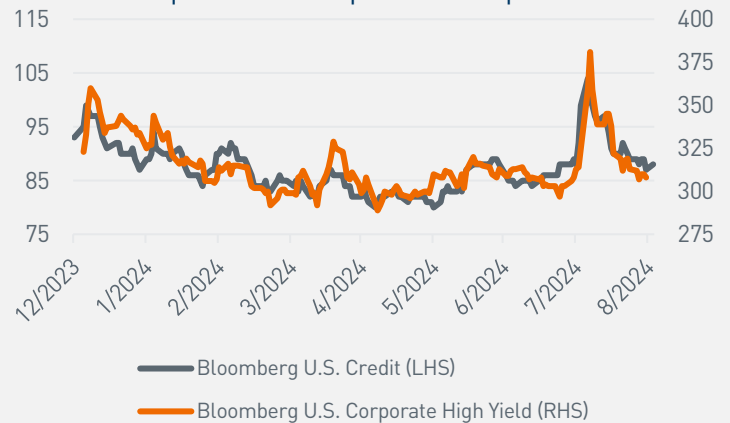
As is typical for the month of September, dealers anticipate an active primary market with approximately \$125 billion in new supply forecasted.

STRUCTURED

Mortgage-backed securities continued to perform well in August, outperforming other investment-grade sectors for both the month and the trailing three months.

Meanwhile, asset-backed security spreads were modestly wider for the second consecutive month, however excess returns were flat for both July and August.

CHART OF THE MONTH
U.S. Credit vs. U.S. Corporate High Yield
Average Option-adjusted Spread, bps
A quick round-trip for credit spreads



- Over the first three trading days of August, risk premiums for investment grade and high yield markets surged 16 and 67 basis points (bps), respectively.
- Despite the rocky start, investment grade spreads finished the month 1 bp tighter, while high yield spreads compressed by 9 bps.

As of 9/2/2024. Source: Bloomberg L.P.

MARKET DATA

Yields	YTM %	MTD Change	QTD Change	YTD Change
3-Mo UST	5.12	-0.17	-0.24	-0.23
2-Yr UST	3.92	-0.34	-0.84	-0.33
5-Yr UST	3.70	-0.21	-0.67	-0.14
10-Yr UST	3.90	-0.13	-0.49	0.02
30-Yr UST	4.20	-0.11	-0.36	0.17
Risk Premia	OAS (bps)	MTD Change	QTD Change	YTD Change
Investment Grade Credit	87.00	-1.00	-1.00	-6.00
Asset-Backed Securities	64.00	4.00	7.00	-4.00
High Yield	305.00	-9.00	-4.00	-18.00

As of 8/30/2024. Source: Bloomberg L.P.

[BLOOMBERG SECTOR/INDEX PERFORMANCE (USD)]

	Duration (yrs.)	MTD Excess Return (%)	YTD Excess Return (%)	MTD Total Return (%)	YTD Total Return (%)
Sector					
Investment Grade Credit	6.83	0.18	1.08	1.55	3.46
Mortgage-Backed Securities	5.73	0.35	0.54	1.61	3.27
Asset-Backed Securities	2.69	0.00	0.80	0.97	4.05
High Yield	2.88	0.61	3.03	1.63	6.29
Index					
1-3-Yr Government/Credit	1.76	0.01	0.17	0.91	3.51
Intermediate Government/ Credit	3.70	0.05	0.40	1.15	3.55
U.S. Aggregate	6.08	0.14	0.48	1.44	3.07

As of 8/30/2024. Source: Bloomberg L.P.

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