# PNC Capital Advisors Monthly Market Monitor

**NOVEMBER 2024**

## MACRO

U.S. Treasury yields edged higher throughout October, driven by economic data that largely exceeded expectations.

Interest rate volatility also picked up materially in the second half of October, surging to new year-to-date highs as indicated by the ICE BofAML MOVE Index.

Early November market pricing suggests a 25-basis point (bp) cut in the fed funds rate is highly likely at the Federal Open Market Committee (FOMC) meeting on November 7. However, the improved economic backdrop has led investors to reduce their expectations for the degree of additional policy easing to come in 2025.

## CREDIT

Investment grade credit spreads remain at historically expensive levels.

During the month of October, the Bloomberg U.S. Aggregate Credit Index touched 76 bps, which marked a new, post-global financial crisis low.

New issue markets remained active during October with almost $100 billion in new supply. However, the pace of new issuance is anticipated to stall in early November as credit markets “wait out” the outcomes of both the U.S. election and the FOMC meeting.

## STRUCTURED

Mortgage-backed security returns were pressured by renewed interest rate volatility during October.

Asset-backed security issuance was robust for the month, exceeding $40 billion. Despite the heavy supply, new deals were well-received, and spreads compressed for the month.

## TABLE OF THE MONTH

**Percentile Rank, Option-adjusted Credit Spread**

| | 1-3 yr. | 3-5 yr. | 5-7 yr. | 7-10 yr. | 10+ yr. |
|---|---|---|---|---|---|
| **AAA-AA** | 4 | 11 | 5 | 8 | 5 |
| **A** | 11 | 11 | 11 | 15 | 6 |
| **BBB** | 11 | 9 | 8 | 10 | 6 |
| **BB** | 9 | 6 | 7 | 5 | 10 |

- *Credit spreads are currently expensive relative to historical valuations across nearly all maturities and quality segments.*
- *Given the limited opportunity set, we believe defensive credit risk posturing remains prudent.*

*For the period 12/31/97 – 10/16/24. Source: ICE BofA Indices*

## MARKET DATA

| Yields | YTM % | MTD Change | QTD Change | YTD Change |
|---|---|---|---|---|
| 3-Mo UST | 4.55 | -0.08 | -0.08 | -0.80 |
| 2-Yr UST | 4.17 | 0.53 | 0.53 | -0.08 |
| 5-Yr UST | 4.16 | 0.60 | 0.60 | 0.31 |
| 10-Yr UST | 4.29 | 0.50 | 0.50 | 0.41 |
| 30-Yr UST | 4.48 | 0.36 | 0.36 | 0.45 |
| **Risk Premia** | **OAS (Bps)** | **MTD Change** | **QTD Change** | **YTD Change** |
| Investment Grade Credit | 79 | -5 | -5 | -14 |
| Asset-Backed Securities | 55 | -9 | -9 | -13 |
| High Yield | 282 | -13 | -13 | -41 |

*As of 10/31/2024. Source: Bloomberg L.P.*

## BLOOMBERG SECTOR/INDEX PERFORMANCE (USD)

| Sector | Duration (yrs.) | MTD Excess Return (%) | YTD Excess Return (%) | MTD Total Return (%) | YTD Total Return (%) |
|---|---|---|---|---|---|
| Investment Grade Credit | 6.74 | 0.33 | 1.84 | -2.41 | 2.69 |
| Mortgage-Backed Securities | 6.01 | -0.51 | -0.02 | -2.83 | 1.54 |
| Asset-Backed Securities | 2.64 | 0.25 | 1.14 | -0.70 | 4.34 |
| High Yield | 3.00 | 0.64 | 4.45 | -0.54 | 7.42 |

| Index | Duration (yrs.) | MTD Excess Return (%) | YTD Excess Return (%) | MTD Total Return (%) | YTD Total Return (%) |
|---|---|---|---|---|---|
| 1-3-Yr Government/Credit | 1.77 | 0.01 | 0.21 | -0.57 | 3.79 |
| Intermediate Government/ Credit | 3.69 | 0.10 | 0.57 | -1.60 | 3.00 |
| U.S. Aggregate | 6.08 | -0.03 | 0.56 | -2.48 | 1.86 |

*As of 10/31/2024. Source: Bloomberg L.P.*





PNC CAPITAL ADVISORS