

# Bond Market Review

March 6, 2023

## Summary

- Investment grade corporates began last week much like the last few weeks as strong macro data continued to increase rate volatility and push credit spreads modestly wider. New issuance remained historically elevated as well, adding to the widening pressure. However, when issuance began to slow on Thursday and long-term interest rates hit 4%, everything suddenly shifted in the other direction and spreads tightened.
- Tax-exempt municipals had a relatively quiet week with yields higher by 4-7 basis points across the curve. Mutual fund flows were negative once again across all segments except for money market funds which attracted \$4.7 billion in new assets. After several weeks of weakness, the market seemed to firm somewhat on the March 1 reinvestment flows.

## Treasury Yields

Term	Treasury Yield	Δ MTD	Δ YTD
1 Year	5.00	0.34	0.31
2 Year	4.86	0.66	0.43
5 Year	4.25	0.63	0.24
10 Year	3.95	0.44	0.08
30 Year	3.88	0.24	-0.09

## Taxable

### February Closes with Record Supply

- We closed out one of the busiest February's in history for investment grade corporate issuance with \$45 billion in new issuance from 38 deals last week. After tilting towards non-financials for most of the month, supply was more evenly split between industrials and financials with large deals from HSBC Holdings, Sumitomo Mitsui Financial Group, and NatWest Group which offset many smaller industrial and utility deals.

### High Yield Proves Resilient Again

- High yield corporates proved to be resilient once again, posting 12 basis points of spread tightening and 0.61% of excess return despite considerable interest rate volatility last week. We believe the broader theme is that all-in yields are attractive in the high 8% area, while the economy and credit quality continue to hold up. The new issue market increased as well, which is considered a positive as the companies that need the funding are able to extend maturities.

## Municipal Yields

Term	Municipal Yield	Δ MTD	Δ YTD	Tax-Equivalent Yield	Tax-Equivalent Spread (bps)	Municipal/Treasury Ratio (%)	Δ MTD	Δ YTD
1 Year	3.00	0.72	0.14	4.62	-38.11	60.04	11.05	-0.98
2 Year	2.99	0.82	0.39	4.60	-25.65	61.57	9.91	2.82
5 Year	2.68	0.63	0.16	4.12	-12.26	63.12	6.45	0.18
10 Year	2.63	0.44	0.00	4.05	9.45	66.55	4.11	-1.32
30 Year	3.60	0.40	0.02	5.54	166.28	92.89	4.79	2.55

## Tax-Free

### New Jersey's Governor Releases 2024 Budget

- New Jersey's Governor unveiled a \$53.1 billion budget for FY24 representing a 2.6% spending cut from the current fiscal year yet still pays the state's full actuarially required pension contribution for the third straight year. The budget, if passed by the legislature, will likely be viewed positively by the rating agencies.

### Reedy Creek Renamed Central Florida Tourism Oversight District

- On Monday Governor Ron DeSantis signed legislation renaming the Reedy Creek Improvement District to the Central Florida Tourism Oversight District. The newly created district's board of directors will meet for the first-time this week. Earlier last week S&P revised the outlook on Reedy Creek to Stable from Developing.

# Bond Market Review

March 6, 2023

International Yields							
	Germany	Japan	U.K.	France	Italy	Spain	Greece
2 Year	3.21	-0.04	3.70	3.32	3.7	3.40	3.49
5 Year	2.84	0.21	3.65	3.15	4.1	3.43	3.94
10 Year	2.72	0.51	3.85	3.20	4.53	3.66	4.49
30 Year	2.66	1.42	4.21	3.42	4.6	4.07	4.54

Sectors <sup>1</sup>						
	Duration	Spread	Δ MTD	Δ YTD	52- Week High	52-Week Low
Investment Grade Corporate	7	120	3	-10	165	109
▪ Financial	5	122	0	-18	181	106
▪ Industrial	8	118	4	-7	160	110
▪ Utility	9	126	6	-3	161	119
High Yield	4	397	-23	-72	583	309
Securitized	6	51	6	-5	90	26
▪ Commercial Mortgage-Backed Securities	5	102	-5	-18	133	80
▪ Asset-Backed Securities	3	54	-11	-22	103	49
▪ Mortgage-Backed Securities	6	47	6	-4	88	21

Equity			
	Current	Δ MTD	Δ YTD
Dow Jones	33,390.97	-695.07	243.72
S&P 500	4,045.64	-30.96	206.14
Nasdaq	11,689.01	104.46	1,222.53

Volatility			
	Current	Δ MTD	Δ YTD
VIX	18.49	-0.91	-3.18
MOVE	122.52	22.98	0.91

Commodities			
	Current	Δ MTD	Δ YTD
CRB	275.05	-3.04	-2.69
Gold	1854.60	-90.70	28.40
Oil	79.68	0.81	-0.58
Gas	275.04	18.36	27.21

Currency			
	Current	Δ MTD	Δ YTD
U.S. Dollar	104.52	2.42	1.00
Euro	1.06	-0.02	0.00
Pound	1.20	-0.03	0.00
Yen	135.87	5.78	5.07
Canadian Dollar	1.36	0.03	0.00
Franc	0.94	0.02	0.01

Central Bank Rates			
	Current	Δ MTD	Δ YTD
United States	4.75	0.25	0.25
Europe	3.00	0.50	0.50
United Kingdom	4.00	0.50	0.50
Japan	0.10	0.00	0.00
Canada	4.50	0.00	0.25
TED Spread	14.32	-2.89	-28.12

Data is as of 03.03.2023. Source: Bloomberg L.P. Please refer to pages 3 for important definitions and disclosures.

<sup>1</sup>Sectors are represented by the following indices: Investment Grade Corporate = Bloomberg U.S. Corporate Bond; Financial = Bloomberg U.S. Aggregate Investment Grade Finance; Industrial = Bloomberg U.S. Aggregate Investment Grade Industrial; Utility = Bloomberg U.S. Investment Grade Utility; High Yield = Bloomberg U.S. Corporate High Yield; Securitized = Bloomberg U.S. Securitized; Commercial Mortgage-Backed Securities = Bloomberg U.S. Aggregate CMBS; Asset-Backed Securities = Bloomberg U.S. Aggregate ABS; Mortgage-Backed Securities = Bloomberg U.S. Aggregate MBS.



# Important Information

## Disclosures, Technical Terms & Indices

**Past performance is not indicative of future results. Any type of investing involves risk and there are no guarantees that these methods will be successful.**

The opinions contained in the preceding presentation reflect those of Sterling Capital Management LLC, and not those of Truist Financial Corporation or its executives. The stated opinions are for general information only and are educational in nature. These opinions are not meant to be predictions or an offer of individual or personalized investment advice. They are not intended as an offer or solicitation with respect to the purchase or sale of any security. This information and these opinions are subject to change without notice. All opinions and information herein have been obtained or derived from sources believed to be reliable. Sterling Capital Management LLC does not assume liability for any loss which may result from the reliance by any person upon such information or opinions.

Investment advisory services are available through Sterling Capital Management LLC, an investment adviser registered with the U.S. Securities & Exchange Commission and an independently-operated subsidiary of Truist Financial Corporation. Sterling Capital Management LLC manages customized investment portfolios, provides asset allocation analysis and offers other investment-related services to affluent individuals and businesses. Securities and other investments held in investment management or investment advisory accounts at Sterling Capital Management LLC are not deposits or other obligations of Truist Financial Corporation, Truist Bank or any affiliate, are not guaranteed by Truist Bank or any other bank, are not insured by the FDIC or any other federal government agency, and are subject to investment risk, including possible loss of principal invested.

Sterling Capital does not provide tax or legal advice. You should consult with your individual tax or legal professional before taking any action that may have tax or legal implications.

Specific securities identified and described do not represent all of the securities purchased, sold or recommended to clients. There are no assurances that securities identified will be profitable investments. The securities described are neither a recommendation nor a solicitation. Security information is being obtained from resources the firm believes to be accurate, but no warrant is made as to the accuracy or completeness of the information.

Opinions and estimates offered constitute our judgment and are subject to change without notice, as are statements of financial market trends, which are based on current market conditions. We believe the information provided here is reliable, but do not warrant its accuracy or completeness. This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The views and strategies described may not be suitable for all investors. This material has been prepared for informational purposes only, and is not intended to provide, and should not be relied upon for, accounting, legal or tax advice. References to future returns are not promises or even estimates of actual returns a client portfolio may achieve. Any forecasts contained herein are for illustrative purposes only and are not to be relied upon as advice or interpreted as a recommendation.

### Technical Terms

**Duration:** a tool used in assessing the price volatility of a fixed-income security

**Municipal/Treasury Ratio:** a comparison of the current yield of municipal bonds to U.S. Treasuries

**Tax-Equivalent Yield:** the return that is required on a taxable investment to make it equal to the return on a tax-exempt investment

**TED Spread:** the difference between the three-month Treasury bill and the three-month LIBOR based in U.S. dollars

**Yield:** income-only return on investment expressed as an annual percentage

**Yield Spread:** the difference between the quoted rates of return between two different investment vehicles; also called the credit spread

**The volatility of an index varies greatly. All indices are unmanaged, and investments cannot be made directly in an index.**

**Dow Jones:** The Dow Jones Industrial Average (DJIA) is an index that tracks 30 large, publicly-owned blue chip companies trading on the New York Stock Exchange (NYSE) and the NASDAQ.

**MOVE:** The MOVE Index is a well-recognized measure of U.S. interest rate volatility that tracks the movement in U.S. Treasury yield volatility implied by current prices of one-month over-the-counter options on 2-year, 5-year, 10-year and 30-year Treasuries.

**Nasdaq:** The Nasdaq Composite Index is the market capitalization-weighted index of over 2,500 common equities listed on the Nasdaq stock exchange. The types of securities in the index include American depositary receipts, common stocks, real estate investment trusts (REITs) and tracking stocks, as well as limited partnership interests. The index includes all Nasdaq-listed stocks that are not derivatives, preferred shares, funds, exchange-traded funds (ETFs) or debenture securities.

**Bank of America Merrill Lynch High Yield Master II Index:** An unmanaged index comprised of over 1,200 high yield bonds representative of high yield bond markets as a whole. It includes zero-coupon bonds and payment-in-kind (PIK) bonds. You cannot invest directly in an index.

**S&P 500®:** The S&P 500 Index is widely regarded as the best single gauge of the U.S. equities market. The index includes a representative sample of 500 leading companies in leading industries of the U.S. economy. The S&P 500 Index focuses on the large-cap segment of the market; however, since it includes a significant portion of the total value of the market, it also represents the market.

**VIX:** The CBOE Volatility Index, or VIX, is a real-time market index representing the market's expectations for volatility over the coming 30 days.

**“Bloomberg®”** and the Bloomberg indices are service marks of Bloomberg Finance L.P. and its affiliates, including Bloomberg Index Services Limited (“BISL”), the administrator of the index (collectively, “Bloomberg”) and have been licensed for use for certain purposes by Sterling Capital Management LLC and its affiliates. Bloomberg is not affiliated with Sterling Capital Management LLC or its affiliates, and Bloomberg does not approve, endorse, review, or recommend the product(s) presented herein. Bloomberg does not guarantee the timeliness, accurateness, or completeness of any data or information relating to the product(s) presented herein.