

MACRO

Minutes from the January 31, 2024 Federal Open Market Committee (FOMC) meeting indicated concern from several Federal Reserve (Fed) officials that any immediate/future easing of financial conditions could stall the Fed’s progress toward its 2% inflation target.

This revelation, paired with ongoing resilient economic data, caused consensus rate cut expectations to shift toward the second half of 2024.

While trending lower relative to last year’s elevated levels, interest rate volatility remains higher than historical norms.

CREDIT

In February, new issue volume set monthly records for a second consecutive month, with almost \$200 billion in new supply issued.

Merger and acquisition financing was a key driver of issuance as technology and pharmaceutical companies capitalized on strong investor demand and favorable market conditions.

Investor enthusiasm in credit markets softened slightly during the last week of February, likely driven in part by the surge in new issuance. Primary market supply is expected to trend lower in March, providing credit investors with an opportunity to digest the recent uptick in activity.

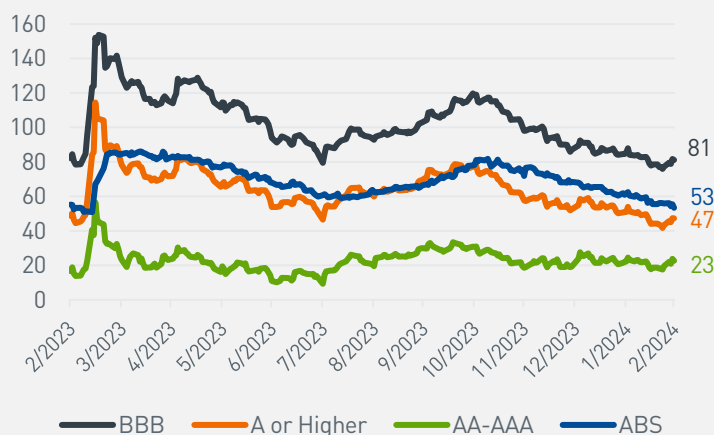
STRUCTURED

Asset-backed (ABS) issuance trended lower in February, following relatively robust issuance in January.

Aided by the reduction in new supply, ABS risk premia compressed during the month, helping the sector to outperform other investment grade sectors.

Mortgage-backed securities (MBS) had another lackluster month in February, with modestly negative excess returns. Elevated interest rate volatility remains a headwind for the sector.

CHART OF THE MONTH
US Corporate 1-3 Yr. Option-adjusted Spreads vs. Asset-backed Securities



- In our view, AAA-rated ABS continue to offer attractive incremental value relative to lower-quality credit sectors.
- Short-dated credit spreads have generally retreated to the levels seen just prior to last year’s regional banking turmoil.

As of 2/29/2024. Source: Bloomberg L.P.

MARKET DATA

Yields	YTM %	MTD Change	QTD Change	YTD Change
3-Mo UST	5.38	0.02	0.04	0.04
2-Yr UST	4.62	0.41	0.37	0.37
5-Yr UST	4.25	0.41	0.40	0.40
10-Yr UST	4.25	0.34	0.37	0.37
30-Yr UST	4.38	0.21	0.35	0.35
Risk Premia	OAS %	MTD Change	QTD Change	YTD Change
Investment Grade Credit	0.90	0.00	-0.03	-0.03
Asset-Backed Securities	0.55	-0.07	-0.13	-0.13
High Yield	3.12	-0.32	-0.11	-0.11

As of 2/29/2024. Source: Bloomberg L.P.

[BLOOMBERG SECTOR/INDEX PERFORMANCE (USD)]

	Duration (yrs.)	Percent			
		MTD Excess Return	YTD Excess Return	MTD Total Return	YTD Total Return
Sector					
Investment Grade Credit	6.66	-0.07	0.32	-1.44	-1.62
Mortgage-Backed Securities	6.15	-0.29	-0.47	-1.63	-2.08
Asset-Backed Securities	2.56	0.22	0.47	-0.28	0.18
High Yield	3.13	1.09	0.87	0.29	0.29
Index					
1-3-Yr Government/Credit	1.75	0.02	0.05	-0.36	0.02
Intermediate Government/ Credit	3.67	0.06	0.09	-0.99	-0.79
U.S. Aggregate	6.13	-0.09	-0.01	-1.41	-1.68

As of 2/29/2024. Source: Bloomberg L.P.

This publication is for informational purposes only. Information contained herein is believed to be accurate, but has not been verified and cannot be guaranteed. Opinions represented are not intended as an offer or solicitation with respect to the purchase or sale of any security and are subject to change without notice. Statements in this material should not be considered investment advice or a forecast or guarantee of future results. To the extent specific securities are referenced herein, they have been selected on an objective basis to illustrate the views expressed in the commentary. Such references do not include all material information about such securities, including risks, and are not intended to be recommendations to take any action with respect to such securities. The securities identified do not represent all of the securities purchased, sold or recommended and it should not be assumed that any listed securities were or will prove to be profitable. **Past performance is no guarantee of future results.**

Indices and/or Benchmarks Definitions are available at <https://www.pnccapitaladvisors.com/index-definitions/>.

PNC Capital Advisors, LLC is a wholly-owned subsidiary of PNC Bank, National Association, which is a Member FDIC, and an indirect subsidiary of The PNC Financial Services Group, Inc. serving institutional clients. PNC Capital Advisors' strategies and the investment risks and advisory fees associated with each strategy can be found within Part 2A of the firm's Form ADV, which is available at <https://pnccapitaladvisors.com>.

PNC Capital Advisors, LLC claims compliance with the Global Investment Performance Standards (GIPS®). A list of composite descriptions for PNC Capital Advisors, LLC and/or a presentation that complies with the GIPS® standards are available upon request.

Investments: Not FDIC Insured. No Bank Guarantee. May Lose Value.

©2024 The PNC Financial Services Group, Inc. All rights reserved.