

MACRO

June economic data releases started off strong with a robust jobs report that significantly exceeded consensus expectations. However, unemployment ticked higher to 4.0%, the highest rate since January 2022. Additionally, wage growth proved stronger than expected and remains above the Federal Reserve’s preferred level. Despite signs of cooling, the labor market, in our view, remains resilient overall.

As widely expected, the Federal Open Market Committee (FOMC) kept rates unchanged at its June 12 meeting. The closely monitored “dot plot” reflected a median expectation for one rate cut in 2024. Notably, FOMC participants raised their expectation for Personal Consumption Expenditures growth, their preferred inflation measure, to 2.8% from 2.6%. In his post-meeting press conference, Chair Jerome Powell once again acknowledged the persistence of inflation and that it is “taking a bit longer” to gain confidence it is slowing.

CREDIT

Issuance for June exceeded expectations, closing the month with slightly more than \$100 billion in new supply. Forecasted issuance for July approximates \$80 billion, which, if accurate, would represent the slowest monthly pace of the year.

Overall, the pace of investment grade issuance through the first half of 2024 trails only the record issuance of the pandemic-era, first half of 2020. Investment grade issuance through June 30, 2024, tallied \$867 billion, versus \$1.2 trillion through the same period in 2020.

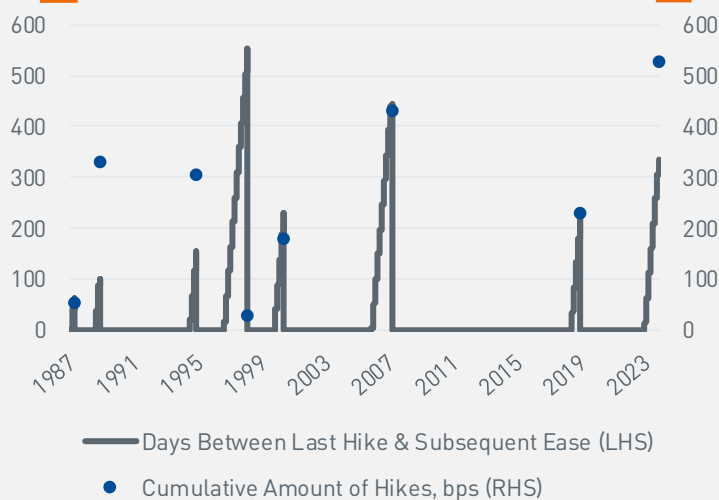
Credit spreads widened 8 basis points during June, making valuations modestly more attractive relative to recent levels.

STRUCTURED

The asset-backed securities sector softened during June as the market absorbed new supply, which is now running approximately 32% ahead of supply at this time last year.

Mortgage-backed securities outperformed other risk assets during the month, with episodes of widening spreads interpreted as attractive entry opportunities.

CHART OF THE MONTH Federal Reserve Tightening Cycles



➤ *The Federal Reserve has been “on pause” for almost a year, a relatively long time considering the degree of tightening that has occurred in this cycle.*

As of 6/28/2024. Source: Bloomberg L.P.

MARKET DATA

Yields	YTM %	MTD Change	QTD Change	YTD Change
3-Mo UST	5.36	-0.05	-0.01	0.01
2-Yr UST	4.76	-0.12	0.13	0.50
5-Yr UST	4.38	-0.13	0.16	0.53
10-Yr UST	4.40	-0.10	0.20	0.52
30-Yr UST	4.56	-0.09	0.22	0.53
Risk Premia	OAS %	MTD Change	QTD Change	YTD Change
Investment Grade Credit	88.00	8.00	3.00	-5.00
Asset-Backed Securities	57.00	3.00	2.00	-11.00
High Yield	309.00	1.00	10.00	-14.00

As of 6/28/2024. 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	6.68	-0.52	0.80	0.67	-0.46
Mortgage-Backed Securities	6.03	0.06	-0.23	1.17	-0.98
Asset-Backed Securities	2.57	-0.02	0.71	0.67	1.66
High Yield	3.06	0.13	1.96	0.94	2.58
Index					
1-3-Yr Government/Credit	1.78	-0.03	0.11	0.56	1.38
Intermediate Government/ Credit	3.69	-0.08	0.30	0.80	0.49
U.S. Aggregate	6.08	-0.13	0.20	0.95	-0.71

As of 6/28/2024. Source: Bloomberg L.P.

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