

MACRO

During September, fixed income markets were primarily focused on the September 18 Federal Open Market Committee (FOMC) meeting. Leading up to the meeting, economic data releases continued to foster debate about whether the Federal Reserve (Fed) would enact a 25- or 50-basis-point (bp) cut in the fed funds rate.

In somewhat of a surprise move, the Fed initiated its easing cycle with a 50 bp cut. Fed Chair Jerome Powell noted the size of the cut was a “sign of a commitment to not get behind” the curve as the Fed balances its dual mandate of stable prices and maximum employment. In its updated Summary of Economic Projections, the Fed’s “dot plot” indicated an additional 25 bps of cuts expected at each of the November and December FOMC meetings.

Following the stronger-than-expected September labor report (released 10/4/24), U.S. Treasury yields responded by moving higher across the curve.

CREDIT

New issuance for September set a monthly record, coming in at approximately \$170 billion, as issuers raced to lock in lower total interest costs. New issue supply was well received with limited new issue concessions and strong subscription levels.

Investment grade credit spreads tightened by 3 bps during the month, which continued the tightening trend from August.

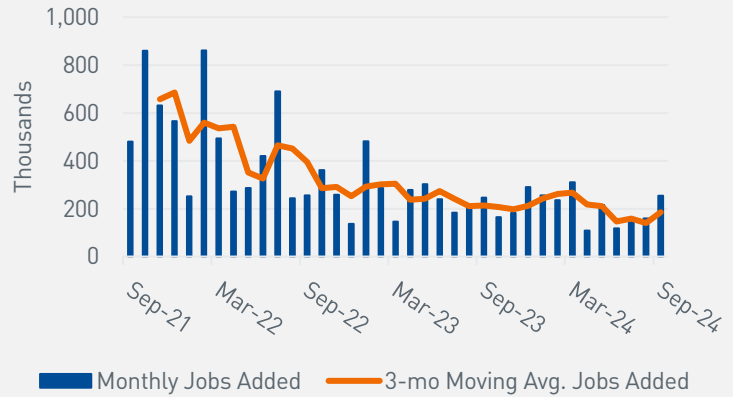
Looking ahead, dealers anticipate a slower primary market in October with approximately \$90 – 100 billion of high-grade new supply forecasted.

STRUCTURED

Mortgage-backed securities were supported by lower implied volatility and increased refinancing activity in September. The Refinance Index achieved levels last seen in April 2022.

Asset-backed security spreads were unchanged during the month. New issuance was approximately \$35.6 billion, the third highest level of issuance this year, with new issue volume increasing approximately 25% year over year.

CHART OF THE MONTH
Total U.S. Employees on Nonfarm Payrolls



- The September jobs report indicated the U.S. added 254,000 jobs, which marked the strongest growth since March, even accounting for upward revisions to July and August jobs numbers of 55,000 and 17,000, respectively.
- The 3-month moving average of 186,000 jobs signals that growth has rebounded above the long-term potential of approximately 160,000.
- The jobs report is particularly notable given the September 18 FOMC statement that highlighted the Fed’s increased focus on the employment component of its dual mandate.

As of 10/04/2024. Source: Bloomberg L.P.

MARKET DATA

Yields	YTM %	MTD Change	QTD Change	YTD Change
3-Mo UST	4.63	-0.49	-0.73	-0.72
2-Yr UST	3.64	-0.28	-1.11	-0.61
5-Yr UST	3.56	-0.15	-0.82	-0.29
10-Yr UST	3.78	-0.12	-0.62	-0.10
30-Yr UST	4.12	-0.08	-0.44	0.09
Risk Premia	OAS (Bps)	MTD Change	QTD Change	YTD Change
Investment Grade Credit	84	-3	-4	-9
Asset-Backed Securities	64	0	7	-4
High Yield	295	-10	-14	-28

As of 9/30/2024. 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	6.93	0.42	1.53	1.71	5.23
Mortgage-Backed Securities	5.68	-0.02	0.52	1.19	4.50
Asset-Backed Securities	2.70	0.08	0.89	0.98	5.07
High Yield	2.85	0.70	3.80	1.62	8.00
Index					
1-3-Yr Government/Credit	1.78	0.02	0.20	0.83	4.38
Intermediate Government/ Credit	3.72	0.08	0.48	1.08	4.68
U.S. Aggregate	6.13	0.12	0.61	1.34	4.45

As of 9/30/2024. 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.