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.

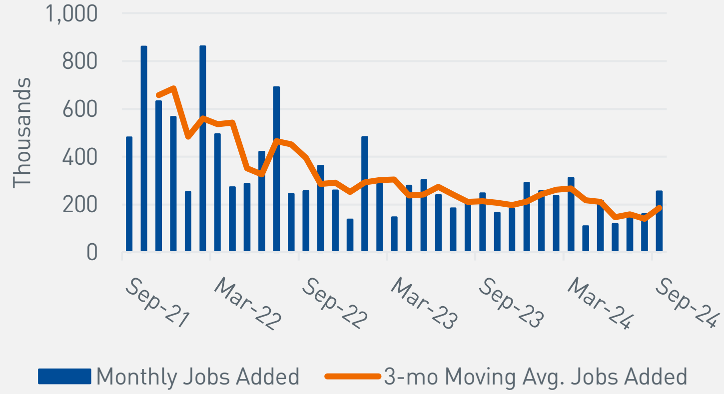
STRUCTURED

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

	Duration (yrs.)	MTD Excess Return (%)	YTD Excess Return (%)	MTD Total Return (%)	YTD Total Return (%)
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.