General Market

Investors received mixed economic signals this week but walked away cautiously optimistic. On the positive side, President Trump delayed the recently announced 50% tariff on European goods, Consumer Confidence jumped the most in 4 years, a judge blocked most of the new tariffs, and NVDA reported strong earnings. On the other hand, Q1 GDP figures were revised to show Personal Consumption growth only rising 1.2%, Initial Jobless Claims came in higher than expected, Personal Spending slowed to just 0.2%, and Core PCE Inflation saw its smallest annual advance in more than 4 years at 2.5%. While equity markets rallied on the week, treasury yields fell 8-11bps in a sign that fixed income investors are wearier of a continued slowdown that could cause the Fed to cut rates sooner than anticipated.

IG Munis

The muni market also saw yields fall but underperformed this week after the curve ended 6-8bps lower in the front end and just 2bps lower out long. Customer BWICs jumped 5% relative to recent averages, with a variety of account types using the slower holiday-shortened week to trim credit risk, sell low book yields, and raise cash in anticipation of the outsized primary calendar slated to come over the next two weeks. On the demand side, Lipper reported the 5th consecutive week of inflows, with IG funds taking in $376mm. The combination of heavy June reinvestment cash and a return to inflows has led to a healthy two-way market and improved liquidity. Dealers have reported many different inquiries out there, however, buyers remain patient and are not looking to chase prices higher. Next week's ~$18bn in new issues would represent the 3rd largest on record, while investors are bracing for another hefty serving the following week as issuers try to get their deals to market ahead of the FOMC meeting and Juneteenth holiday.

HY Munis

HY investors also used the slower issuance week to reassess their portfolio positioning, trim different names or sectors, and take advantage of the still-strong bid for different names. JPM reported a +131% surge in HY and non-rated BWICs vs recent averages, with the 43% hit rate being close to normal for these bonds. Solid credit, different names saw strong levels especially considering the amount of paper for sale. Most bonds we tracked traded very close, if not through evals, with the majority of traded items coming from the BB or BB+ rating cohort (or similar credit quality if unrated). Broadly speaking, levels mostly tracked the MMD movements within a few bps. Benchmark names like Buckeye Tobacco and PR Cofina ended 2-4bps better, while a recently issued UT assessment district traded 2bps worse than last week. Similar to the IG market, we expect most of the focus will be on the primary calendar next week, where there are at least a handful of $100mm+ HY deals set to price.

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Market Commentary

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