General Market

Fixed income markets were unusually tame this week considering an FOMC meeting occurred alongside a fresh Middle East conflict that could see the US step up their involvement. While markets were on edge to see whether or not President Trump would get the country involved by bombing Iran, ultimately investors kept their focus on comments out of the Fed meeting to discern the future path of interest rate policy. The committee left rates unchanged, while the dot plot still showed 50bps of cuts this year and officials moved their inflation and unemployment forecasts higher. Fed Chair Powell said the Central Bank was "well positioned to wait to learn more about the likely course of the economy before considering any adjustments". Despite the laid-back approach, on Friday, Fed Governor Waller posited that the Fed could begin cutting interest rates as soon as July. Ultimately, the curve steepened modestly with the front-end seeing yields decline by 4bps while the long bond was unchanged.

IG Munis

With a lighter week of issuance due to the FOMC and Thursday holiday, the muni market took its cues from treasuries as the benchmark AAA curve saw yields lowered 2-3bps up front and kept unchanged out long. Lipper reported continued inflows for the 8th consecutive week, though they were mostly driven by ETFs. Customer sale lists were near recent averages, while secondary purchases jumped 10% due to the lack of primary options. Despite the usual hesitance to make any major moves around Fed meetings, dealers generally reported a decent tone from market participants. With the seasonal strong reinvestment cash, continued inflows, and a supportive treasury market, customers are finding it more and more compelling to lock in some of the most attractive tax-adjusted yields they've seen in years.

HY Munis

The HY market kicked off the week with another round of sales from the fund that was liquidating, which drew a lot of attention from the dealer and investor community. Ultimately, these trades led to a bit of a hangover as accounts digested the materially weaker levels that most credits traded at. More liquid names trended a few bps weaker, such as a Florida assessment district for the Villages community that traded 3bps worse than last week or Buckeye Tobacco that saw a similar movement. The cautious risk appetite spilled over into the primary market after a $250mm nonrated transaction for Noble Waste was cut 75bps from initial pricing but still didn't have enough investor interest to clear the market. That said, next week's calendar brings two larger transactions - a $304mm BB+ rated FL university and a $248mm nonrated UT development district that we expect will garner plenty of interest.

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