

## General Market

Investors were keenly focused on the strength of the labor market this week, where mixed reports ultimately led participants to believe the Fed may not be in any rush to cut interest rates. Private sector payrolls grew at its slowest pace in 2 years and Initial Jobless Claims unexpectedly climbed last week to the highest level since October. However, Job Openings also rose and the Nonfarm Payrolls report showed the slowing job growth was not as bad as feared. Treasury yields ebbed day to day but ended the week 4-16bps higher, with the front end of the curve leading the way as bets on the timing of the 1st rate cut got pushed back to October.

## IG Munis

Despite the 2nd largest tax-exempt issuance on record, the municipal market held in surprisingly well. The front end of the MMD curve was bumped 4bps, outperforming treasuries by as much as 20bps, while the long end of the curve kept pace with the treasury losses. The resilience came on the back of continued fund flows, with Lipper reporting +\$426mm and the arrival of seasonal reinvestment cash driving SMA demand. JPM's weekly tracker showed customer BWICs were roughly in line with the prior 5-week average, while customer purchases rose modestly. Next week's \$15bn calendar may not be absorbed as easily given valuations have grown less compelling after this week's performance.

## HY Munis

It was a ho-hum week for HY investors with most names ending the week off just a few bps from last Friday's levels, in line with the broader MMD cuts. That said, dealers did report stronger two-way flows given the mix of treasury weakness, hefty new issue calendar, and some sell pressure coming from ETF redemptions. On the other side of the aisle, most HY investors are still flush with cash and looking to take advantage of any marginal cheapening that comes along. In fact, HY mutual funds led the way this week with \$281mm of inflows, besting IG fund flows for the first time since the most recent six-week inflow cycle began. While most of the primary calendar were IG names, a handful of HY deals priced to strong reception. A \$400mm B1/BB rated aluminum producer saw double digit subscriptions for its 7y paper and was repriced 12.5bps tighter after 33 investors participated. A \$234mm limited offering for a BB+ rated student housing project was 9-12x oversubscribed and bumped 10-15bps. Unfortunately, the HY calendar looks to be a bit sparse next week, so investors will have to turn to the secondary if they want to put cash to work.

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