General Commentary

Market participants were on the edge of their seats ahead of President Trump's Tuesday evening deadline for Iran to agree to open the Hormuz or face a significant escalation in the US's bombing campaign. Thankfully, tempers cooled and the two countries agreed to engage in direct talks beginning this weekend. Oil prices fell nearly 15%, stock markets rallied, and treasury yields ticked 0-4bps lower. While the ceasefire appears to be in a fragile state, with the Hormuz still effectively closed and Israel continuing their bombing campaign in Lebanon, markets are betting that the administration will seek an off-ramp to avoid a further spike in energy prices. On the data front, headline CPI inflation surged to the highest in 2 years on the back of elevated gas prices, but the core figure came in a tick lower than expected. Additionally, the University of MI survey showed consumer sentiment fell to a record low amidst fears of rising inflation due to the war.

IG Munis

The muni market logged its second consecutive week of strong performance, with benchmark MMD yields lower 10-11bps up front and 13bps out long. The outperformance vs treasuries caused ratios to fall close to their YTD tights, particularly out long where demand has been the highest. The strength in the muni market was also seen in fund flows, with Lipper reporting the second consecutive week of positive cash flows after IG funds raked in $816mm. JPM Research reported that customer BWICs jumped 14% vs recent averages, but the hit rate reflected the strong tone by rising 7%. Notably, many of these items appeared to be stocked by dealers as they looked to replenish inventories ahead of the seasonally positive summer technical environment ahead. Unsurprisingly, new issues performed well with many deals we looked at seeing double digit oversubscriptions and similar bumps in pricing. After the past two weeks of outperformance, we believe the market is in a much more balanced position and turn neutral on the IG portion of the market.

HY Munis

The HY market turned in an uneven performance this week. Lipper reported just $50mm of inflows after three straight weeks of outflows, reflecting the broader caution investors have exhibited across risk markets due to the geopolitical uncertainty. At the index level, the yield to worst of the HY index widened 8bps relative to IG's over the past two weeks after grinding to a multi-month low by late March. The underperformance this week was felt in the benchmark names, with Buckeye Tobacco 2055s trading just 3bps stronger and Cofina

2058s selling to a customer 5bps better than the prior week. Prints varied across sectors and structures, reflecting a more discerning approach by investors to take risk. For example, an 11y BB+ rated United Airlines bond traded 12bps lower, just 1bp shy of the AAA performance, but a nonrated Florida senior living block was purchased ~15bps worse than last week's trade. Meanwhile, a BB+ 20y Chicago BOE bond traded 8bps better, or right in between the performance of the high beta 10y and 30y paper discussed above. While the recent underperformance and potential resolution to the Middle East conflict has us a bit less negative on the HY space, we believe the best value is in smaller and less widely held issuers whose evals may be stuck in a cheaper zone due to a lack of relevant trade prints.

Disclaimers

This report is confidential and a product of Birch Creek Capital, LLC ("Birch Creek"). It is intended solely for the information of the person to which it has been delivered by Birch Creek. The views and opinions expressed herein are subject to change without notice and Birch Creek is under no obligation to update or keep this information current or accurate. This report is being provided for general informational purposes only, and may not be disseminated, communicated, or otherwise disclosed by the recipient to any third party without the prior written consent of Birch Creek. Birch Creek Capital, LLC is registered with the Commonwealth of Pennsylvania as an investment advisor, which in no way implies that the state of Pennsylvania has endorsed any of the entities, products or services discussed herein. This commentary does not constitute an offer of to sell securities or the solicitation of an offer to purchase an interest in Birch Creek Credit Value Fund, LP (the "Fund") or any other Birch Creek products. Such an offer may only be made to Accredited Investors or Qualified Clients and by means of a confidential offering memorandum. Additional information regarding the Fund or other Birch Creek products is available upon request.

Any information in this document related to past performance of the Fund or other investments managed by Birch Creek should not be relied upon as an indicator or guaranty of the future investment performance of any Birch Creek present or future investment vehicle. Birch Creek's investment strategy involves the risk of loss. Any projections of future performance in this document are based on a number of assumptions and Birch Creek Funds' actual performance may differ significantly from projected performance. There is no assurance that a portfolio will achieve its investment objective and please be aware that the portfolio may be subject to certain additional risks described in the Fund's confidential offering memorandum.

Market Commentary
This report includes forward-looking statements. All statements that are not historical facts are forward-looking statements, including any statements that relate to future market conditions, results, operations, strategies or other future conditions or developments and any statements regarding objectives, opportunities, positioning, or prospects. Forward-looking statements are necessarily based upon speculation, expectations, estimates and assumptions that are inherently unreliable and subject to significant business, economic and competitive uncertainties, and contingencies. Forward-looking statements are not a promise or guaranty about future events.

Neither Birch Creek or our information providers shall be liable for any errors or omissions or inaccuracies, regardless of cause, or the lack of timeliness for any particular reason. The recipient should not assume that such information, even if accurate as of its date, is accurate as of the date hereof. None of Birch Creek is under an obligation to update the information contained in the materials attached hereto. THERE ARE NO WARRANTIES, EXPRESSED OR IMPLIED, AS TO ACCURACY, COMPLETENESS, OR RESULTS OBTAINED FROM ANY INFORMATION CONTAINED HEREIN.