General Commentary

Developments in the US and Israel war against Iran and its proxies continued to overshadow economic data, though the lighter than expected producer inflation report and lower initial jobless claims suggested the economy has held up well during this conflict. The week began with news that peace talks fell apart, and the US announced its own blockade of the Strait of Hormuz. While treasuries drifted throughout the week, Friday seemed to give markets the "all clear" signal they've so desperately wanted. After Israel and Lebanon agreed to a 10-day ceasefire, Iran announced they would re-open the Strait to all commercial shipping during the ceasefire. Brent crude prices fell 5% on the week, while equities surged to record highs. Treasury yields fell, with the front-end seeing yields drop by 9bps, while the long bond fell by 3bps.

IG Munis

With stable to falling treasury yields, the muni market kept its April momentum going. The benchmark MMD curve was bumped 3-4bps everywhere except the very front end, where the 2y rose due to tax-day related selling of ultra short paper. Lipper reported $408mm of outflows, but they were entirely driven by short duration funds which saw $533mm out, while long duration funds added $116mm of investor capital. JPM Research's BWIC analysis also reflected investor's appetite to sell their short duration muni placeholders ahead of the April 15th tax filing deadline. They reported that 0-1y sales jumped 73%, while 20y+ volumes fell moderately. Meanwhile, customer purchases fell 9% overall, reflecting somewhat subdued activity after the market's recent outperformance brought valuations to less compelling levels.

HY Munis

The HY market posted its second consecutive week of modest inflows, with Lipper reporting $75mm of new cash. Similar to last week, investors have been reluctant to push spreads much tighter amidst the ongoing geopolitical uncertainty. Prints varied, with most trades pointing to yields falling 2-3bps on the week. Buckeye Tobaccos closed out the week 3bps better, while long Cofinas outperformed by finishing 8bps stronger. A nonrated MA assisted living credit traded just 2bps better, while a nonrated CA CCRC ended 3bps stronger than last Friday's print. That said, we have noticed some investors digging deeper to find "story" credits that the market may have overlooked. As an example, a recently restructured portfolio of senior living facilities in IL and IN saw its first trades on the new cusip last week with a customer paying 7.27%. Each successive print has moved higher and the last trade this week showed a customer purchased at a 7.14%. This price action indicates the best performers in this market may come from individual credit selection, rather than the generic benchmark names that just offer beta exposure to the broader HY index.

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Market Commentary

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