## General Commentary

The continued de-escalation of the US-Iran conflict set the tone this week, even if the path remained uneven. Iran again declared the Strait of Hormuz closed, citing Israeli strikes in southern Lebanon, and a vessel was reportedly struck by an Iranian missile mid-week. Despite those flare-ups, ships kept moving through the waterway and the broader trajectory pointed toward a lasting agreement. Oil extended its decline, with Brent falling below $72 and continuing to defy forecasts for higher prices. That drop pulled Treasury yields lower, with the 2-10y shedding 8 to 10bps, while the long bond fell 4bps. The market is also gaining confidence that new Fed Chair Kevin Warsh will prove effective in fighting inflation, which pushed expectations for the first rate hike out to December from September. Economic data took a back seat to those themes, though it pointed to a resilient backdrop. Core PCE for May came in at 3.4% as expected, while stronger Personal Income, Personal Spending, and a drop in Initial Jobless Claims underscored continued labor market strength.

## IG Munis

The AAA MMD curve bumped just 0-1bps across the front end and belly, falling well short of the move in comparable Treasuries. The long end was the clear exception, outperforming USTs after seeing yields fall by 6bps. That outperformance can largely be attributed to supply dynamics. As JPM Research noted earlier this week, issuance in the 21-30y part of the curve has fallen roughly 19%, while supply in the 6-10y range has jumped about 34%. That imbalance, combined with extremely tight ratios, left the front end and belly with little room to follow Treasuries. Technical pressure added to the drag. A heavy slate of new issue settlements needed funding this week, pushing BWIC volumes up 17% and customer purchases down by 4%, per JPM Research. Fund flows remained a bright spot. Lipper reported $633 million of inflows for the week ending June 24th, the tenth consecutive week of positive flows, though the pace ran below the recent trailing average. Looking ahead, we see a favorable technical backdrop next week as July 1st reinvestment cash meets a very light calendar shortened by the Independence Day holiday.

## HY Munis

The high yield secondary market held a constructive but measured tone. Benchmark names were broadly steady to slightly firmer. Buckeye Tobacco was unchanged for a second straight week, while COFINA traded 4bps better, changing hands around par. A nonrated Georgia special assessment credit and BB+ UAL Catering Facility bonds each firmed modestly over the week. The pattern was familiar. Accounts remain willing to engage in secondary to fill specific inquiries, but few are pushing spreads tighter, and most prints landed unchanged to 5bps better, lagging the AAA curve.

New issue remains where the real demand is concentrated. Two nonrated senior living expansions priced during the week, a $313 million Fairview deal in CT and a $194 million St. John's United deal in MT, each oversubscribed 5 to 6 times and bumped 5bps upon repricing. A $48 million nonrated MN senior living credit was bumped 6bps and traded away to a customer up 8bps once free. Recent deals continued to perform well in the secondary. Last week's nonrated Cincinnati Convention Center financing extended its gains to roughly 20bps from pricing, and the nonrated Inperium Project, a not-for-profit human services provider, freed up and traded 33bps better. Supply continues to lag demand for new and differentiated names, and we expect that dynamic to persist.

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Market Commentary

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