General Commentary

As the US/Iran war headlines faded, the labor market took center stage the week. JOLTS openings held steady against expectations for a decline, and ADP showed solid private hiring, both pointing to a low-hire, low-fire picture. Thursday's payrolls report broke the trend, with just 57,000 jobs added and the prior two months revised lower. The unemployment rate slipped to 4.2%, though that owed more to falling labor force participation than to real strength. The soft print should let the center of the FOMC look through the upside surprises in core PCE seen earlier this year, a view Fed Chair Warsh echoed midweek when he said inflation risks have eased and declined to label the AI buildout inflationary. A sharp drop in the ISM Manufacturing prices paid component carried the same message. The Supreme Court also allowed Governor Cook to keep her post while the case for her dismissal proceeds, easing worries over Fed independence. Treasuries still finished weaker, with the long end off 11-12bps while the front end held better on the soft payrolls.

IG Munis

The AAA MMD curve was bumped 0-2bps across the week. That firmness stood in sharp contrast to the Treasury selloff, and munis outperformed as ratios richened. A light holiday calendar, July 1 reinvestment cash, and continued fund inflows kept the market steady even as Treasuries leaked wider. Lipper reported $1.67bn of inflows into weekly reporting municipal funds, the eleventh straight week of positive flows. Bid-wanted volumes ran well below normal throughout the week per JPM's daily tracker, consistent with the muted tone. New issue supply was minimal, and what did price was well received, with dealers noting most IG deals traded well and were bumped at repricing.

HY Munis

High yield was equally quiet. Secondary tone stayed firm on light volumes, and high beta credits generally traded unchanged to a couple basis points better, roughly in line with the high-grade market. Among benchmark names, most generics held close to MMD, with Chicago Board of Education and Puerto Rico GO paper a touch firmer and Cofina hovering around par. The exception was Buckeye Tobacco, which continued to widen, off roughly 7bps on the week. Outperformance was again concentrated in the new issue market. The $294mm BB+ Wentworth student housing deal was 18-19x oversubscribed and bumped 20bps upon repricing. Recent deals also continued to trade well after pricing. Two senior living transactions from the prior week, Fairview and St. Johns United, both freed Monday and were trading up more than 20bps by midweek.

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Market Commentary

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