General Commentary

Technology and AI-linked shares sold off hard this week, dragging the S&P into correction territory and to its worst week since the April 2025 tariff selloff. The equity rout pushed investors into the safety of Treasuries. Pulling the other way, the October FOMC minutes read hawkish, with nearly all officials viewing further tightening as likely appropriate and two members already weighing a 50bp hike in December. Governor Waller pressed the same case after back-to-back firm CPI prints. The data reinforced the hawkish case, with retail sales underscoring a resilient consumer and import prices signaling building goods inflation. Even so, the risk-off tone won out. Front-end yields fell hardest on Friday after Treasury Secretary Bessent said the Fed should not hike and the SEC opened a new probe into Nvidia's accounting practices. For the week, 2-10y yields fell 19-22bps while the long bond fell 14bps. Futures took a full hike off the table, with the odds of a December move easing to 92%.

IG Munis

The AAA MMD curve was cut 3-5bps across the curve, sharply underperforming the Treasury market. Five weeks of outperformance had left munis historically rich, and the asset class stayed cautious all week even as Treasuries found a bid. The backup was a needed reset. After getting through the new issue calendar, ratios cheapened back to around their YTD averages down the curve and cheaper out long, helping buyers to begin dipping their toes back in on Friday. According to JPM Research, bid-wanted volume reached $22.1bn, roughly in line with the five-week average but still 1.7x the YTD pace, while the hit rate slipped to a weak 48% as sellers held out against softer bids. Lipper reported $316mm of outflows, a second straight week in the red as accounts took profits after a strong run. Primary supply was sizable but absorbed reasonably well given the weak tone, though some high grade deals were left with balances. Next week slows to a trickle ahead of the Thanksgiving holiday, with the real test coming the following week, when supply is expected to swell to $16-18bn. We believe the reset in ratios, roughly $28bn of December 1 reinvestment cash, and a calendar that fades into year-end should keep the market well supported once that mega slate clears.

HY Munis

High yield outperformed again this week, with the liquid benchmarks firming even as AAA yields rose. Buckeye Tobacco traded about 3bps better at 7.32%, Cofina firmed 2bps to 5.49%, and GA SR 400 changed hands 2bps better at 5.85%. Against the MMD cut, that relative strength pushed the high yield index another 4bps tighter to investment grade. The firmness did not extend down the quality and liquidity spectrum. Buyers turned more discerning, and several less common names traded off 5-10bps. A nonrated senior living

credit printed at 6%, about 12bps cheaper than a block that traded the prior Thursday, while nonrated Florida and Utah development districts each cheapened 5-7bps. According to JPM Research, high yield bid-wanted volume rose 5% and customer purchases jumped 42%, though depth stayed thin, with many lists drawing just one or two bidders and high bids often sitting too far from evals to trade. Lipper reported $223mm of high yield outflows, an eleventh straight week in the red. The high yield calendar offered little of size, and next week brings almost nothing ahead of the holiday. We continue to favor higher quality and more liquid names as risk appetite wanes and outflow concerns linger. At the same time, the year-end setup should create openings for patient, bottoms-up buyers. As holders right-size portfolios and harvest tax losses into December, selective credit pickers should find value in smaller, overlooked names where evals have drifted away from where real bids sit.

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Market Commentary

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