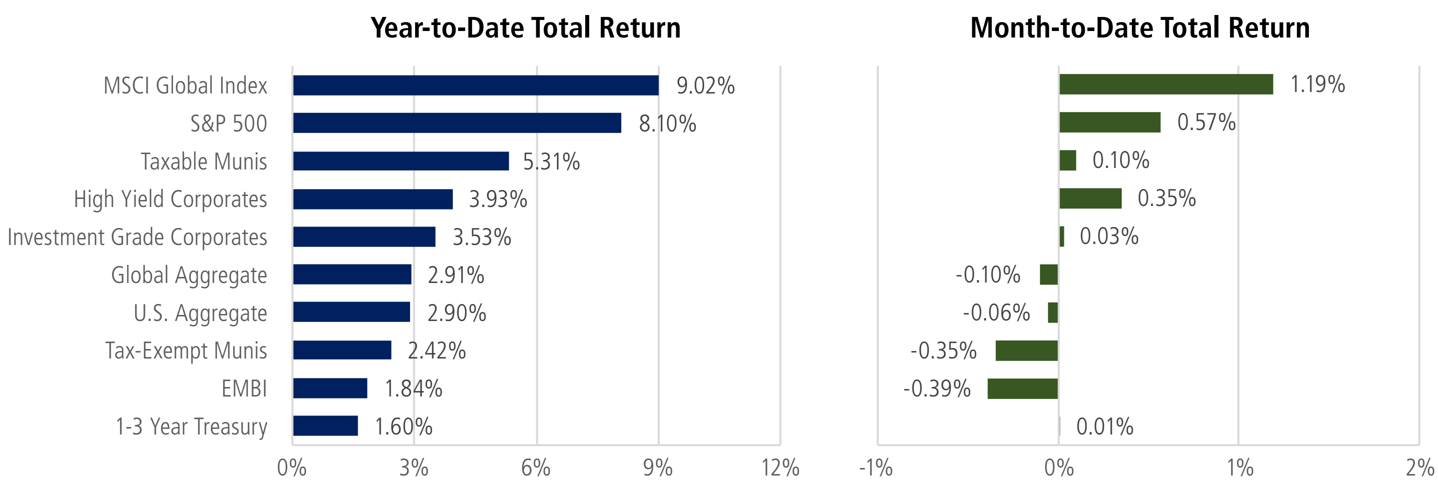
Week Ending: **April 21, 2023**

Going For Broke

Economic Overview:

Tax Day 2023 arrived for Americans this week, and the Treasury General Account (TGA), the U.S. Treasury's checking account at the Federal Reserve, is worth watching for two reasons. First, the TGA relates to the "debt ceiling." Once you hit your credit card limit, you must rely entirely on the cash in your account to pay for stuff. Unfortunately, Treasury hit the Congress-imposed credit limit earlier this year (i.e., the "debt ceiling"). As a result, the TGA balance dwindled throughout 2023 as Treasury paid bills run up by Congress. But (phew!) tax payments this week bought Treasury time. The second key reason to follow the TGA is to glean signs about the economy's health. Even after tax day (with deposits from primarily individual income taxes and corporate taxes), the TGA is down ~30% compared to last year, reflecting weaker growth and the dip in asset values. So, just like a nervous bill-payer refreshing their banking app in hopes that cash is available to cover spending, we'll watch the TGA daily for signs that the debt ceiling debate may heat up.

Total Returns by Asset Class



Source: Bloomberg

Highlights of the Week:

High Yield: As volatility has fallen and investors move past the banking turmoil that engulfed markets in March, spreads have tightened 68 basis points, and investors are refocusing their attention on earnings and credit fundamentals.

Corporates: We are finally seeing US G-SIBs come to market with new issuance post-earnings as they try to take advantage of the relief rally in banks. Four banks have issued this week, accounting for $22 billion of this week's $27 billion in supply. Despite an eventful and volatile start to the year, particularly within the banking sector, investment-grade corporate spreads are only four basis points wider year-to-date at an OAS of 134.

Municipals: A lack of muni supply up to this week richened the 10-year municipal bond-to-treasury yield ratio to a nearly two year low of 60% but increased supply this week cheapened ratios back up to 67%.

Equities: The U.S. equity market ended the week unchanged as investors digested corporate earnings results that were mostly mixed. Traditionally defensive sectors, consumer staples, REITs, and utilities were the best-performing sectors, while the worst-performing sectors were communications, energy, and technology.