BondBloxx Fixed Income Monthly Update

November 2023

- **In November, we witnessed a historic bond rally along with record equity returns.** Market sentiment improved dramatically, reflecting the Federal Reserve's decision to pause on further rate hikes, along with the most recent CPI print showing moderating inflation and a slowing labor market.
- **The U.S. aggregate index returned +4.5% for November, the highest monthly return in 40 years.** Meanwhile, equities were up +9.0%, led by the Technology and Real Estate sectors.
- **Longer-duration fixed income assets significantly outperformed in November,** with investment grade corporates returning +6.0%, BBB corporates with maturities > 10 years returning +11%, and 20-year duration Treasuries returning +12.4% (Table 1, Table 5, Table 6).
- As U.S. data on growth, jobs, and prices came in lower than economist's expectations throughout the month, on the heels of what where perceived to be "not hawkish enough" comments from Federal Reserve Chairman, Jerome Powell, the rally gathered steam.
- **Riskier fixed income assets outperformed U.S. Treasuries,** and volatility decreased across both bonds and equities. Year-to-date, U.S. high yield and emerging markets debt have returned +9.4% and +7.0% respectively, significantly outperforming both the U.S. Aggregate Index (+1.6%) and the Treasury Index (+0.7%), which inched into positive territory in November.

Chart 1

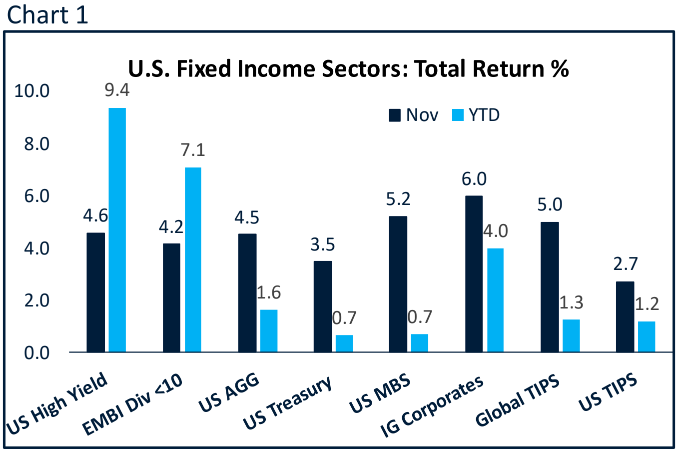

Chart 2

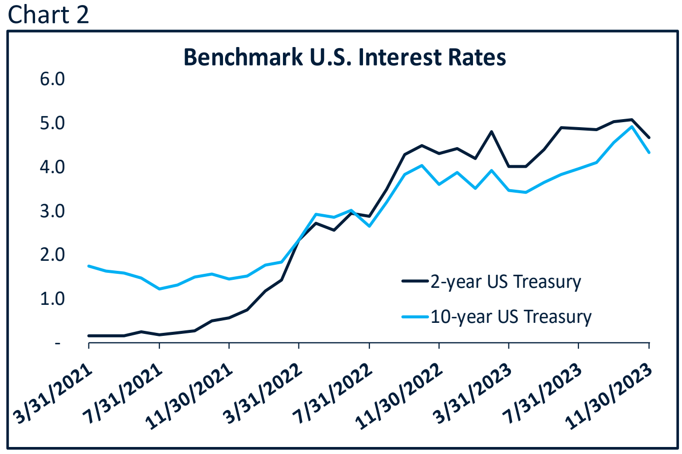

Table 1

Name	Index Name	Total Return			OAS				Yield (%)	Duration
		Nov	3 Mo	YTD	Nov	Δ Nov	Δ 3 Mo	Δ YTD		
Munis	Bloomberg **Municipal** Bond Index	6.3%	0.9%	4.0%					3.57	6.2
IG Corporate	Bloomberg **US Corporate** Index	6.0%	0.4%	4.0%	103	-25	-8	-27	5.60	6.8
Mortgages	Bloomberg **US Mortgage Backed** Securities Index	5.2%	-1.1%	0.7%	56	-18	+9	+5	5.26	6.2
Global TIPS	Bloomberg **Global Inflation Linked** Index	5.0%	-2.0%	1.3%						
US High Yield	ICE BofA US Cash Pay **High Yield** Constrained Index	4.6%	2.1%	9.4%	372	-63	-5	-103	8.35	3.5
US AGG	Bloomberg **US Aggregate Bond** Index	4.5%	-0.4%	1.6%	45	-11	-0	-6	5.05	6.1
EM Debt <10	JP Morgan **EMBI Global Diversified 1-10 Liquid** Index	4.2%	1.5%	7.1%	551	-39	-6	-13	9.89	4.1
US Treasury	Bloomberg **US Treasury** Index	3.5%	-0.6%	0.7%					4.55	5.8

Chart 1, 2 and Table 1 Sources: ICE Data Services, JP Morgan, Bloomberg | Data as of 11/30/2023

Fixed Income: U.S. High Yield Industry Sectors

- **All seven high yield industry sectors generated strong positive total return performance in November**, with Healthcare and Financials/REITs experiencing the best returns, up 5.8% and 5.1% respectively. Even the industry laggards, Energy and Consumer Cyclical, were up an impressive 3.4% and 4.4% respectively (Chart 3, Table 2).
- The **Consumer Cyclical industry remains the total return performance leader** among sectors year-to-date, up 12.4%. There is a tie for second place with both Energy and Financials/REITs returning 10.2%. Alternatively, the **Telecom, Media & Technology sector (+6.8%) has significantly lagged** all other industry sectors year-to-date (Chart 3, Table 2).
- Credit **spreads were 63 basis points tighter for the broad U.S. high yield index** in November, led by 84 basis points of tightening experienced by the Healthcare sector and 82 basis points of tightening by the Financials/REITs sector (Chart 4, Table 2).
- The **largest spread tightening year-to-date has been experienced by the Consumer Cyclical sector**, which is 225 basis points tighter for the year. In **second place is the Healthcare industry**, which is 180 basis points tighter. Alternatively, the TMT is still slightly wider for the year (+6 bps) (Chart 4, Table 2).

Chart 3

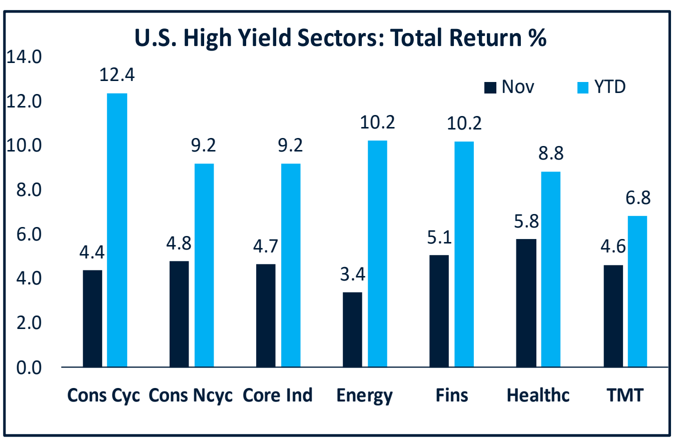

Chart 4

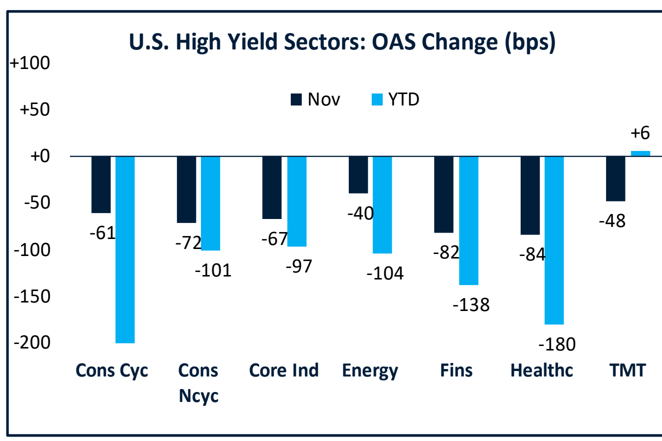

Table 2

Name	ICE Diversified U.S. Cash Pay High Yield Index Name	Total Return			OAS				Yield (%)	Duration
		Nov	3 Mo	YTD	Nov	Δ Nov	Δ 3 Mo	Δ YTD		
Healthc	**Healthcare** Index	5.8%	1.3%	8.8%	430	-84	-58	-180	8.88	3.7
Fins	**Financial & REIT** Index	5.1%	3.0%	10.2%	347	-82	-31	-138	8.12	3.3
Cons NCyc	**Consumer Non-Cyclical** Index	4.8%	2.7%	9.2%	270	-72	-37	-101	7.26	3.9
Core Ind	**Core Industrial** Index	4.7%	1.8%	9.2%	335	-67	+11	-97	7.99	3.3
TMT	**Telecom Media & Technology** Index	4.6%	1.8%	6.8%	536	-48	+19	+6	9.90	3.8
Cons Cyc	**Consumer Cyclical** Index	4.4%	2.4%	12.4%	304	-61	-33	-225	7.70	3.4
Energy	**Energy** Index	3.4%	1.9%	10.2%	272	-40	+1	-104	7.51	3.2

Chart 3, 4 and Table 2 Sources: ICE Data Services | Data as of 11/30/2023

Fixed Income: U.S. High Yield Ratings

- The U.S. high yield market **experienced its second strongest month in over two years, with the broad U.S. high yield index up an impressive 4.6%** for the month. Year-to-date, U.S. high yield increased its performance advantage over the rest of fixed income, returning 9.4% (Table 3).
- In credit rating categories, **the CCC-sector was the best performer in November, up 4.9% for the month**, surpassing the second strongest performance generated by the BB-sector (+4.7%) during the month's final week. Continued outperformance by CCC's (up 13.6% year-to-date) has enabled this rating category to increase its already large year-to-date performance advantage versus the rest of high yield (Chart 5, Table 3).
- Nonetheless, **Single-B and BB-rated high yield bonds have generated impressive year-to-date** returns of 10.0% and 7.9% respectively, also outperforming the majority of fixed income (Chart 5, Table 3).
- **High yield new issue volume picked up in November,** as 31 bonds priced for a total dollar volume of $19.4 billion. Refinancing was the primary use of proceeds. **Year-to-date new issue volume of $165 billion remains well ahead of last year's volume** at this time of $104.2 billion. Refinancing activity continued to lead in terms of the use of proceeds year-to-date, representing over 65% of gross volume. High yield debt maturities remain manageable over the next two years, with only $120 billion coming due over this time period (J.P. Morgan, as of 11/30/2023).
- **Default activity increased in November** from October's levels. There were eight default/distressed transactions for the month, comprised of one default and seven distressed exchanges. The 12-month trailing U.S. high yield default rate increased 28 basis points in November to 2.9%, the highest rate all year but still less than the 4.0% long-term average rate. (J.P. Morgan, as of 11/30/2023).

Chart 5

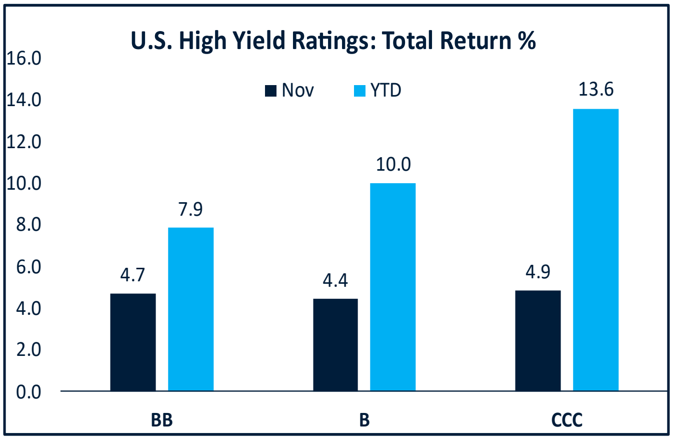

Chart 6

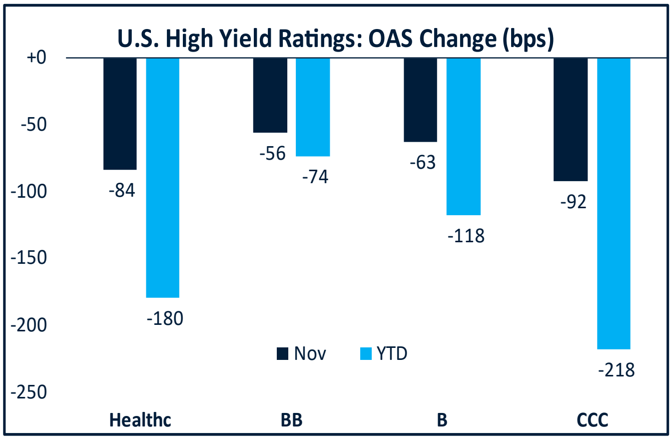

Table 3

Name	Index Name	Total Return			OAS				Yield (%)	Duration
		Nov	3 Mo	YTD	Nov	Δ Nov	Δ 3 Mo	Δ YTD		
CCC	ICE **CCC** US Cash Pay **High Yield** Constrained Index	4.9%	0.5%	13.6%	870	-92	+52	-218	13.31	2.9
BB	ICE BofA **BB** US Cash Pay **High Yield** Constrained Index	4.7%	2.5%	7.9%	236	-56	-16	-74	6.99	3.8
US HY	ICE BofA US Cash Pay **High Yield** Constrained Index	4.6%	2.1%	9.4%	372	-63	-5	-103	8.35	3.5
B	ICE BofA **Single-B** US Cash Pay **High Yield** Constrained Index	4.4%	2.0%	10.0%	398	-63	+6	-118	8.62	3.2

Chart 5, 6 and Table 3 Sources: ICE Data Services, Bloomberg | Data as of 11/30/2023

Fixed Income: Emerging Markets Debt

- **Emerging markets debt ("EMD") posted strong returns in November**, fueled by a robust rally across a broad swath of fixed-income and equity assets, good news on U.S. inflation, and tighter yield-spreads across risk-based fixed-income assets. Year-to-date, **shorter duration (< 10yrs) and lower rated (high yield) Emerging Markets debt have outperformed** the broader market (Table 4).
- Due to its more attractive income component and lower interest rate sensitivity, **EMD has consistently been a top fixed-income performer in 2023,** surpassing the Aggregate Index by over +5.0%, while also exceeding the returns of U.S. Treasuries, mortgages, and investment grade corporates (Table 1).
- **EMD with maturities under 10 years returned +4.2% for the month** and are up +7.1% year-to-date, surpassing the performance of the investment grade corporate and U.S. Treasury markets. The longer-dated, full-maturity EMD index has returned +6.1% year-to-date (Chart 7, Table 4).
- **While all global regions reported positive returns in November**, countries from South and Latin America outperformed, partially due to distressed-issuer Argentina electing a president that is promising to sharply cut spending, eliminate tariffs, and dollarize the economy.
- With respect to quality-sectors, **both investment grade and high yield EMD performed well in November**, **with returns of +5.5% and +5.8% respectively**. The former was boosted by its longer-duration profile, while the latter benefited with sharply tighter yield-spreads (Table 4).

Chart 7

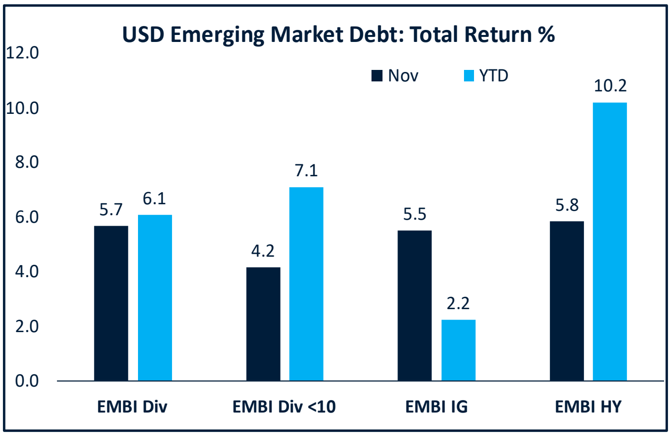

Chart 8

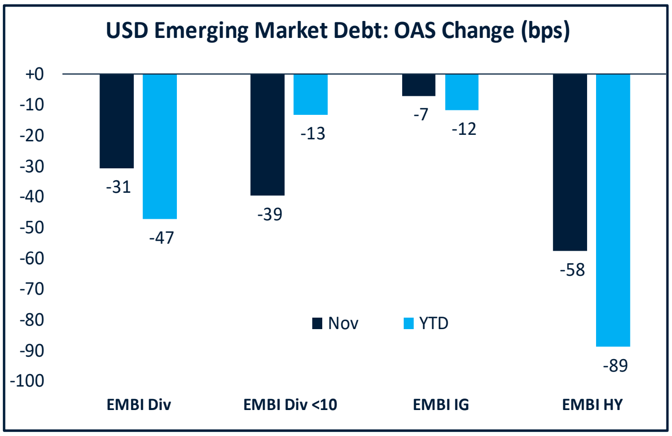

Table 4

Name	JP Morgan Index Name	Total Return			OAS				Yield (%)	Duration
		Nov	3 Mo	YTD	Nov	Δ Nov	Δ 3 Mo	Δ YTD		
EMBI HY	JP Morgan **EMBI Global Diversified High Yield** Index	5.8%	1.6%	10.2%	734	-58	-0	-89	11.78	5.5
EMBI DIV	JP Morgan **EMBI Global Diversified Composite** Index	5.7%	0.0%	6.1%	405	-31	+8	-47	8.53	6.6
EMBI IG	JP Morgan **EMBI Global Diversified Inv Grade** Index	5.5%	-1.5%	2.2%	127	-7	+4	-12	5.78	7.7
EMBI DIV<10	JP Morgan **EMBI Global Diversified 1-10 Liquid** Index	4.2%	1.5%	7.1%	551	-39	-6	-13	9.89	4.1

Chart 7, 8 and Table 4 Sources: J.P. Morgan | Data as of 11/30/2023

Fixed Income: U.S. Investment Grade

- **Investment grade corporates had their best month all year in November**. The U.S. Corporate Index was up 6% for the month, as the sharp rally in long U.S. Treasury rates was a significant tailwind for performance. With November's performance, the US Corporate index returned +4.0% year-to-date (Chart 9, Table 5).
- **BBB corporate performance mirrored the broad index** in November (+6.1%), also returning to positive territory year-to-date (+4.9%). Within the duration buckets, the BBB Long Corporate Index recovered the most in November, up an impressive 11% for the month (Chart 9, Table 5).
- November returns for the **financials, industrials and utilities** industry sectors were all strongly positive, up 4.9%, 6.5% and 6.7% respectively. **Year-to-date, the performance of these sectors has been aligned with their duration profiles,** as the shorter duration financials sector is up the most (+4.2%), while the longer duration utilities sector is up the least (+2.3%) (Chart 9, Table 5).
- **Investment grade new issue volume totaled $98 billion in November,** which is close to the 4-year monthly average of $100 billion. Year-to-date gross investment grade corporate supply totals $1,182 billion, which is about $100 billion behind last year's pace of issuance (J.P. Morgan, as of 11/30/2023).

Chart 9

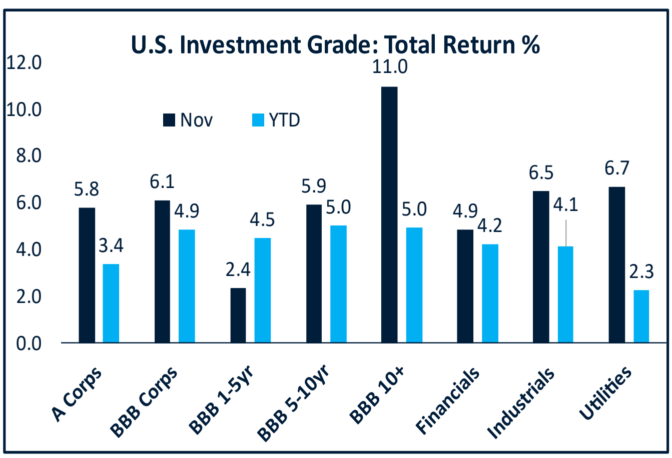

Chart 10

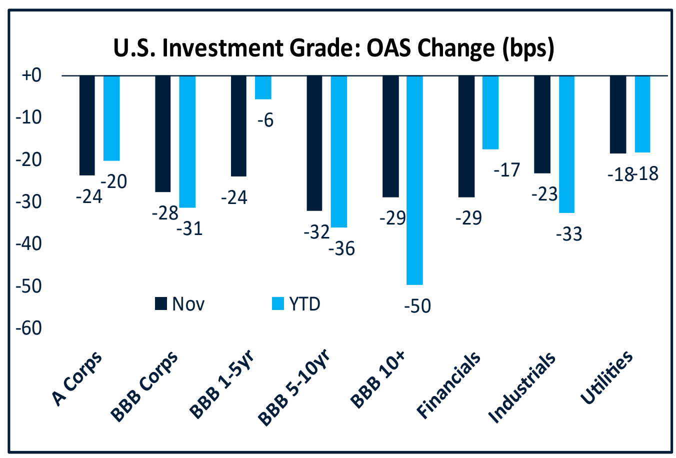

Table 5

Name	Index Name	Total Return			OAS				Yield (%)	Duration
		Nov	3 Mo	YTD	Nov	Δ Nov	Δ 3 Mo	Δ YTD		
BBB Corp	Bloomberg **BBB Rated Corporate** Index	6.1%	0.8%	4.9%	127	-28	-10	-31	5.86	6.6
A Corp	Bloomberg **A Rated Corporate** Index	5.8%	0.2%	3.4%	89	-24	-6	-20	5.45	6.8
BBB 10+	Bloomberg **BBB Long Corporate** Index	11.0%	-0.5%	5.0%	143	-29	-30	-50	6.05	12.1
BBB 5-10yr	Bloomberg **BBB 5-10 year Corporate** Index	5.9%	1.1%	5.0%	137	-32	-13	-36	5.79	5.9
BBB 1-5yr	Bloomberg **BBB 1-5 year Corporate** Index	2.4%	1.9%	4.5%	107	-24	+10	-6	5.75	2.5
Utility	Bloomberg **Utilities Corporate** Index	6.7%	-0.5%	2.3%	111	-18	-10	-18	5.68	8.5
Industrial	Bloomberg **Industrials Corporate** Index	6.5%	0.3%	4.1%	92	-23	-12	-33	5.48	7.5
Financial	Bloomberg **Financials Corporate** Index	4.9%	0.9%	4.2%	122	-29	-2	-17	5.80	5.2

Chart 9, 10 and Table 5 Sources: ICE Data Services, Bloomberg | Data as of 11/30/2023

Fixed Income: U.S. Treasuries

- **The U.S. Treasury market experienced a strong rally in November, advancing 3.5%** on the back of slowing inflation, moderating employment, and a growing expectation that the Fed will begin cutting policy rates by mid-2024.
- **Long-duration bonds recorded large gains in November**, reversing much of their year-to-date losses, as 20-year duration Treasuries returned +12.4% and 10-year duration Treasuries rose +6.1% (Table 6, Chart 12).
- At the conclusion of it's Nov 1 meeting, **the Fed announced no change to its policy rate**, marking the 3rd time out of the last 4 meetings that it has held the Federal Funds Rate steady, which sits at a 22-year high of 5.50%.
- While **Fed Chairman Powell tried to convey continued vigilance and openness to additional rate increases**, his comments mentioned that higher rates across the yield curve are continuing to slow the economy and that the "full effects of our tightening are yet to be felt," **which was interpreted as an expansionary monetary policy.**
- With inflation (+3.2% year-over-year) and employment figures (150,000 new jobs) for October both coming in lower than expected, investors drove treasury yields sharply lower across the curve in November (Chart 11).
- In November, **the market sharply increased its prediction of expected 2024 rate cuts**, with Fed Fund Futures now signaling 50 bps by June and over 100 bps for the full year.

Chart 11

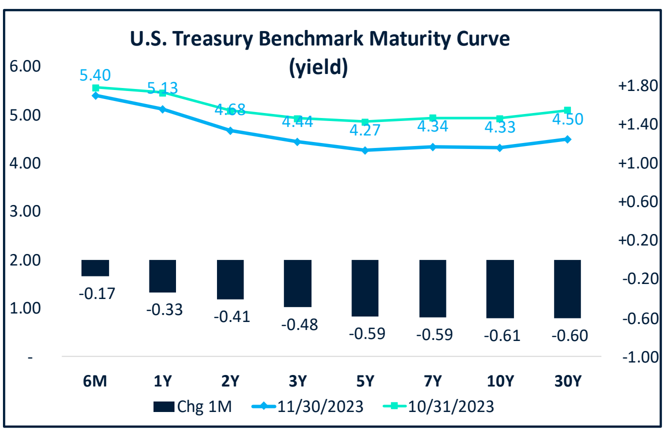

Chart 12

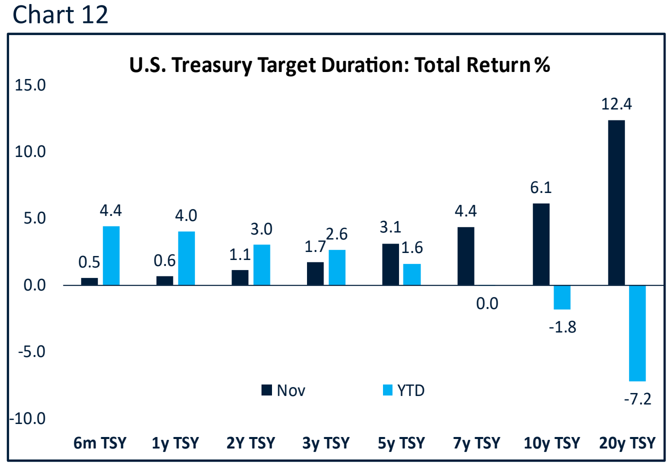

Table 6

Name	Index Name	Total Return			Yield (%)	Duration
		Nov	3 Mo	YTD		
20y Tsy	Bloomberg US Treasury **Twenty Year Duration** Index	12.4%	-8.6%	-7.2%	4.58	20.0
10y Tsy	Bloomberg US Treasury **Ten Year Duration** Index	6.1%	-3.0%	-1.8%	4.52	10.0
7y Tsy	Bloomberg US Treasury **Seven Year Duration** Index	4.4%	-1.0%	0.0%	4.35	7.0
5y Tsy	Bloomberg US Treasury **Five Year Duration** Index	3.1%	0.5%	1.6%	4.35	5.0
3y Tsy	Bloomberg US Treasury **Three Year Duration** Index	1.7%	1.5%	2.6%	4.46	3.0
2y Tsy	Bloomberg US Treasury **Two Year Duration** Index	1.1%	1.7%	3.0%	4.71	2.0
1y Tsy	Bloomberg US Treasury **One Year Duration** Index	0.6%	1.9%	4.0%	5.18	1.0
6m Tsy	Bloomberg US Treasury **Six Month Duration** Index	0.5%	1.9%	4.4%	5.27	0.5

Chart 3, 4 and Table 2 Sources: Bloomberg | Data as of 11/30/2023

Glossary and Index Definitions

- The **Bloomberg A Corporate Index** measures the A-rated, fixed-rate, taxable corporate bond market.
- The **Bloomberg U.S. Aggregate Index** is a broad-based flagship benchmark that measures the investment grade, US-dollar-denominated, fixed-rate taxable bond market.
- The **Bloomberg BBB Corporate Index** measures the BBB-rated, fixed-rate, taxable corporate bond market.
- The **Bloomberg BBB 1-5 year, 5-10 year and Long Corporate indices** measure BBB-rated, fixed-rate, taxable corporate bonds of maturities between 1-5 years, 5-10 years, and 10+ years respectively. The indices include USD denominated securities publicly issued by US and non-US industrial, utility and financial issuers.
- The **Bloomberg Global Inflation-Linked Total Return Index** the performance of investment-grade, government inflation-linked debt from 12 different developed market countries.
- The **Bloomberg Municipal Bond Index** covers the USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and prefunded bonds.
- The **Bloomberg US Mortgage-Backed Securities Index** tracks fixed-rate agency mortgage-backed pass-through securities guaranteed by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC).
- The **Bloomberg U.S. Treasury Target Duration Indices** are a suite of 8 indices designed to target a specific duration using US Treasury securities. The 8 durations targeted are 6 Month, 1 Year, 2 Year, 3 Year, 5 Year, 7 Year, 10 Year and 20 Year.
- The **Bloomberg U.S. Treasury Index** measures US dollar-denominated, fixed-rate, nominal debt issued by the US Treasury. Treasury bills are excluded by the maturity constraint, but are part of a separate Short Treasury Index. STRIPS are excluded from the index because their inclusion would result in double-counting.
- **Credit Spread:** the difference in yield between a debt security and its benchmark measured in basis points.
- The **ICE BofA U.S. High Yield Index** tracks the performance of U.S. dollar-denominated, below investment grade-rated corporate debt publicly issued in the U.S. domestic market.
- The **ICE BofA Broad Market Index** measures the performance of U.S. dollar-denominated, investment grade debt securities, including U.S. Treasury notes and bonds, quasi-government securities, corporate securities, residential and commercial mortgage-backed securities and asset-backed securities.
- The **ICE BofA U.S. Corporate Index** tracks the performance of U.S. dollar-denominated investment grade rated corporate debt publicly issued in the U.S. domestic market.
- The **ICE BofA U.S. Treasury Index** tracks the performance of U.S. dollar denominated sovereign debt publicly issued by the U.S. government in its domestic market.
- The **ICE BofA Current 10-year U.S. Treasury Index** is a one-security index comprised of the most recently issued 10-year U.S. Treasury note.
- The **ICE Diversified U.S. Cash Pay High Yield Rating Category Indices** contain all securities in the ICE BofA U.S. Cash Pay High Yield Index, broken down by their rating categories: BB1-BB3, B1-B3, and CCC1-CCC3. Index constituents are capitalization-weighted, based on their current amount outstanding.
- The **ICE Diversified U.S. Cash Pay High Yield Sector Category Indices** contain all securities in the ICE BofA U.S. Cash Pay High Yield Index, broken down by industry including: Industrials; Telecom, Media & Technology; Healthcare; Financial & REIT; Energy; Consumer Cyclicals; Consumer Non-Cyclicals. Index constituents are capitalization-weighted, based on their current amount outstanding.
- The **JP Morgan EMBI Global Diversified Index** tracks total returns for traded external debt instruments in the emerging markets, including U.S. dollar-denominated Brady bonds, loans, and Eurobonds with an outstanding face value of at least $500 million.
- The **J.P. Morgan 1-10 Year Emerging Markets Sovereign Index** tracks liquid, U.S. dollar emerging market fixed and floating-rate debt instruments issued by sovereign and quasi sovereign entities. The EMBIGDL 1-10 Index is based on the long-established J.P. Morgan EMBI Global Diversified Index and follows it methodology closely, but only includes securities with at least $1 billion in face amount outstanding and average life below 10 years.
- **Option Adjusted Spread (OAS):** For a bond, the option-adjusted spread is the measurement of the spread between the bond and the underlying government yield curve. For an Index, the average of its constituent security government option-adjusted spreads, weighted by full market value.

DISCLOSURES

There are risks associated with investing, including possible loss of principal. Fixed income investments are subject to interest rate risk; their value will normally decline as interest rates rise. Fixed income investments are also subject to credit risk, the risk that the issuer of a bond will fail to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that bond to decline. Securities that are rated below investment-grade (sometimes referred to as "junk bonds") be deemed speculative, may involve greater levels of risk than higher-rated securities of similar maturity and may be more likely to default. Investing in mortgage- and asset backed securities involves interest rate, credit, valuation, extension and liquidity risks and the risk that payments on the underlying assets are delayed, prepaid, subordinated or defaulted on.

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