

BondBloxx Special Report: 2023 in Charts

The U.S. economy demonstrated remarkable resilience throughout 2023. Despite consensus expectations for a second-half recession driven by inflation and higher borrowing costs, economic indicators consistently outperformed projections. Inflation levels eased through most of 2023, allowing the Federal Reserve (“Fed”) to pause on further rate increases. Performance returned to positive for most segments of the fixed income market, a reversal from broad financial sector losses in 2022.

The charts below provide a broad view of economic and financial activity during the year.

Chart 1: After fluctuating throughout the year, the yield on the 10-year ended 2023 at 3.9%, exactly where it began.

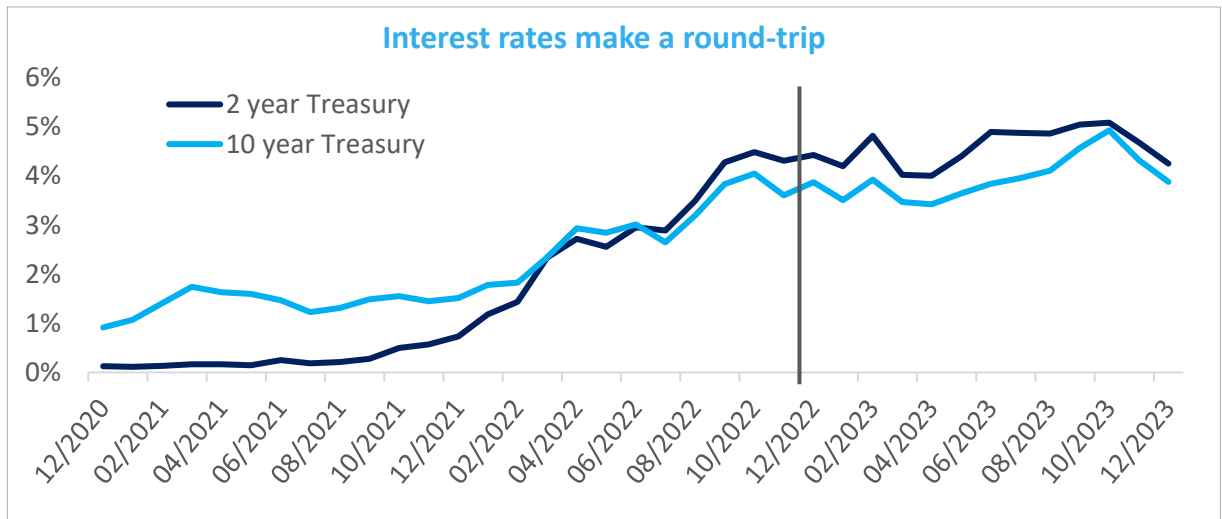
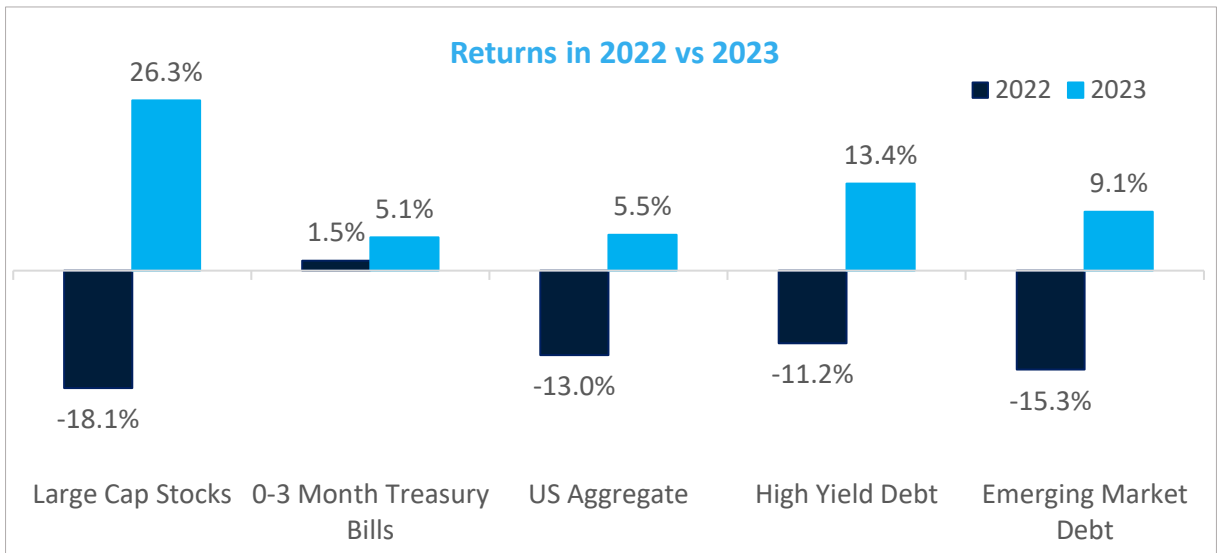
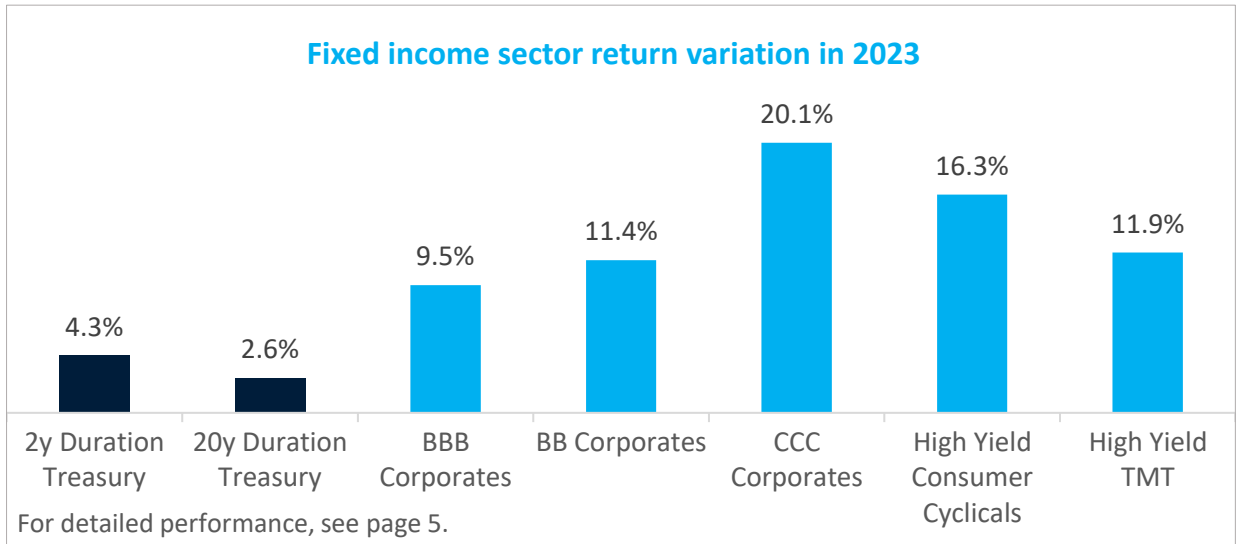


Chart 2: Equity and bond returns turned positive in 2023 after broad-based declines in 2022.

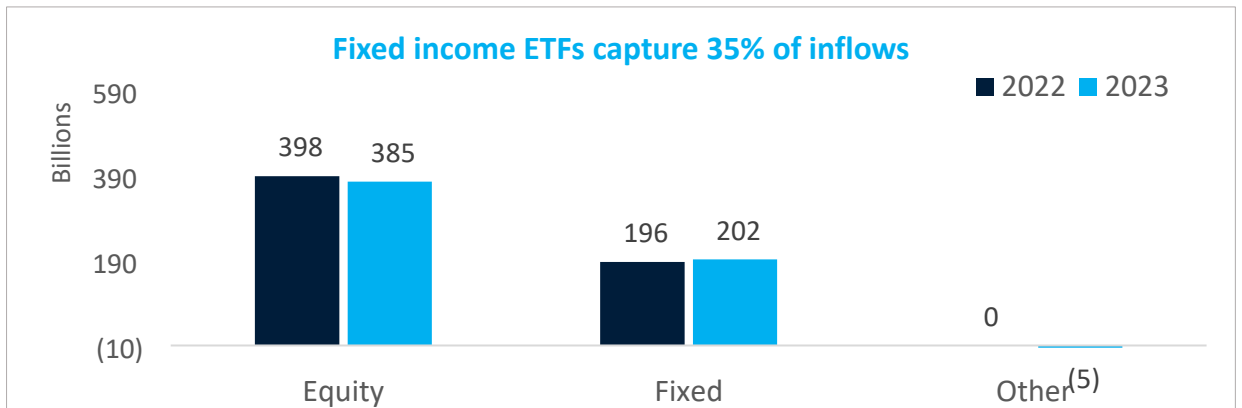
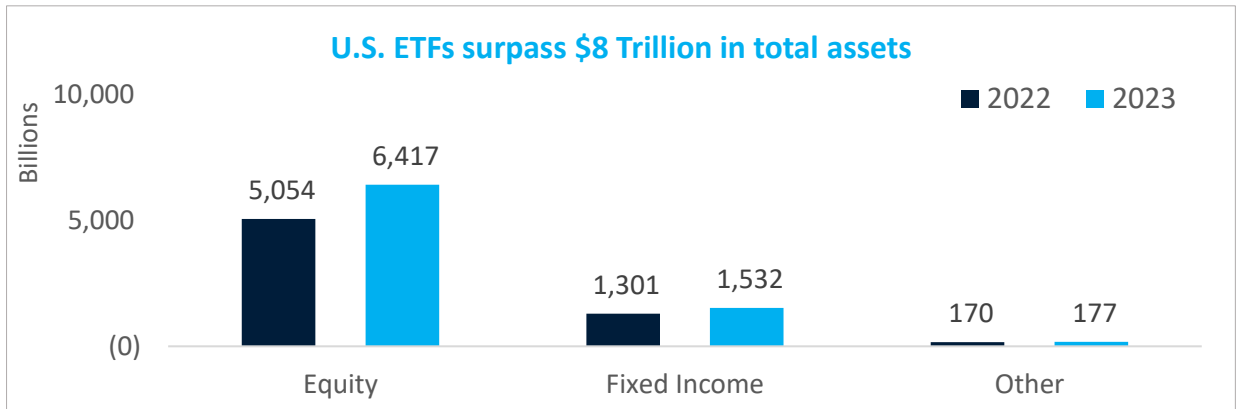


For data source details, please see page 7.

Chart 3: However, 2023 returns varied widely across the yield curve and within fixed income sectors.

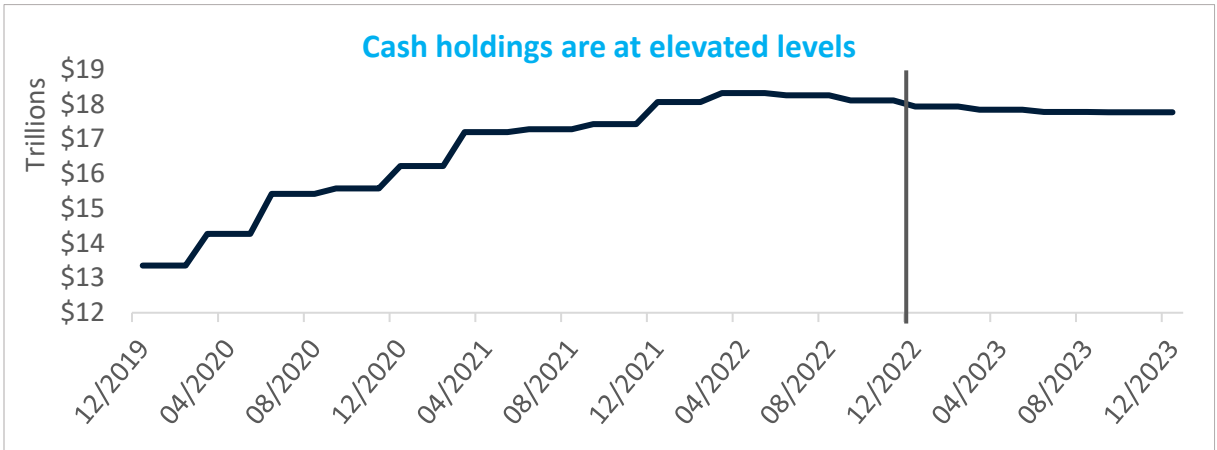


Charts 4 & 5: ETF assets reached \$8.1 Trillion after seeing inflows of nearly \$600 Billion in 2023. Fixed income represents 18% of ETF assets and 35% of 2023 flows.

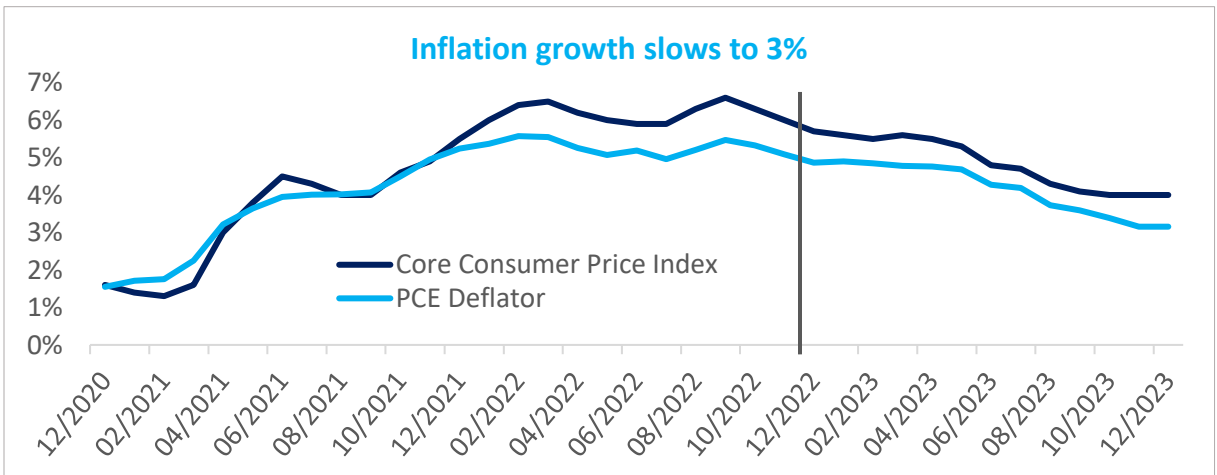


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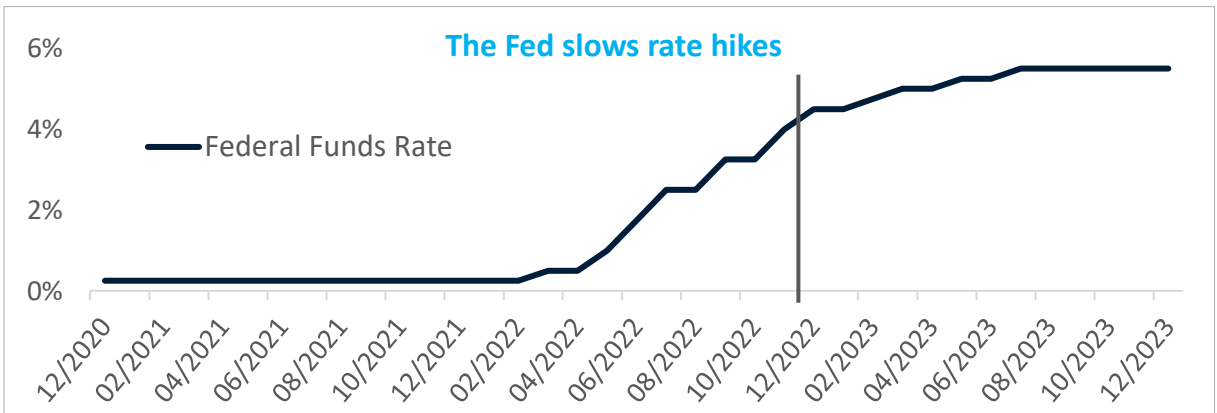
Chart 6: Consumers held nearly \$18 Trillion in cash, an increase of \$5 Trillion in the last 5 years.



Charts 7: Inflation growth slowed from a 40-year peak in 2022, but remained above the Fed’s target.

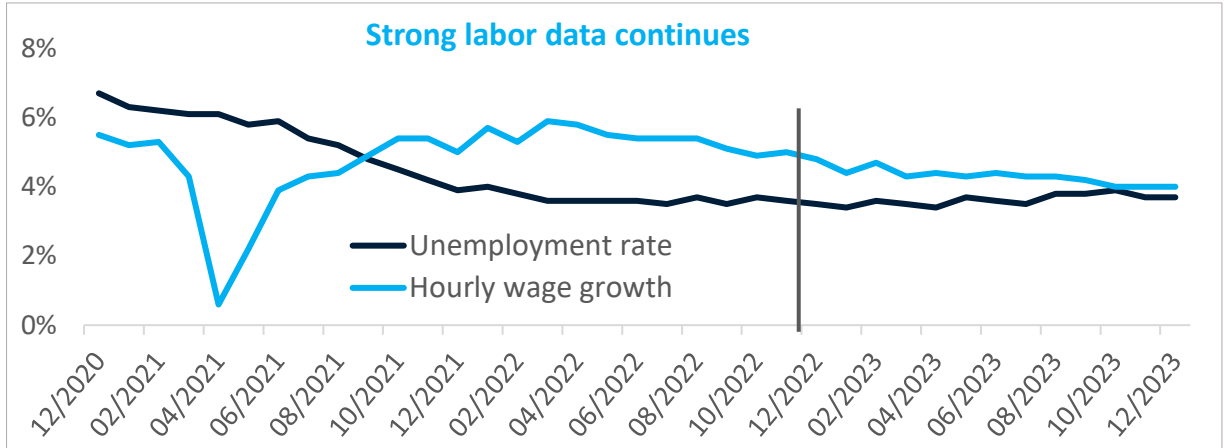


Charts 8: After raising its key policy rate by 5.25%, the Fed left rates unchanged at all three meetings in Q4.

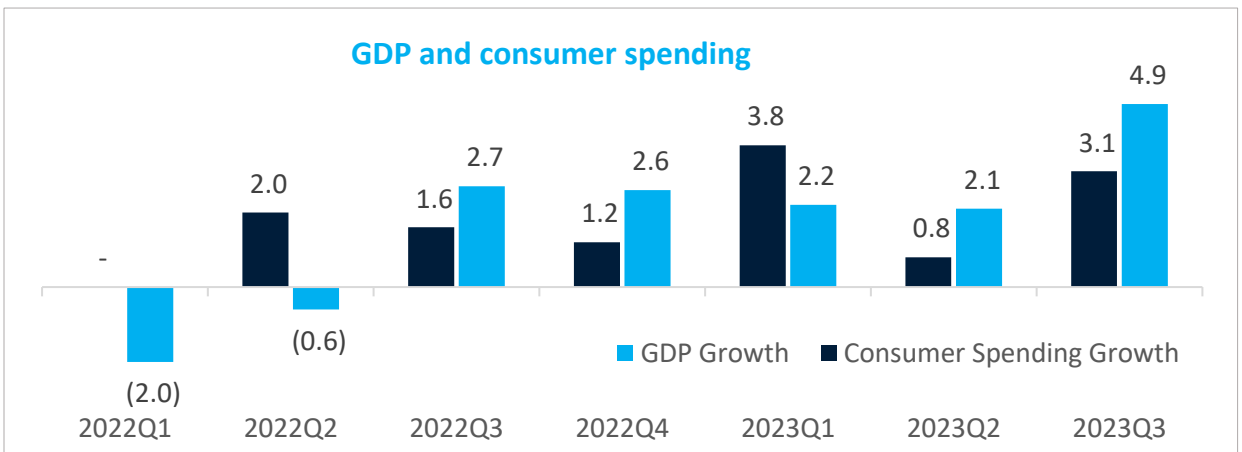


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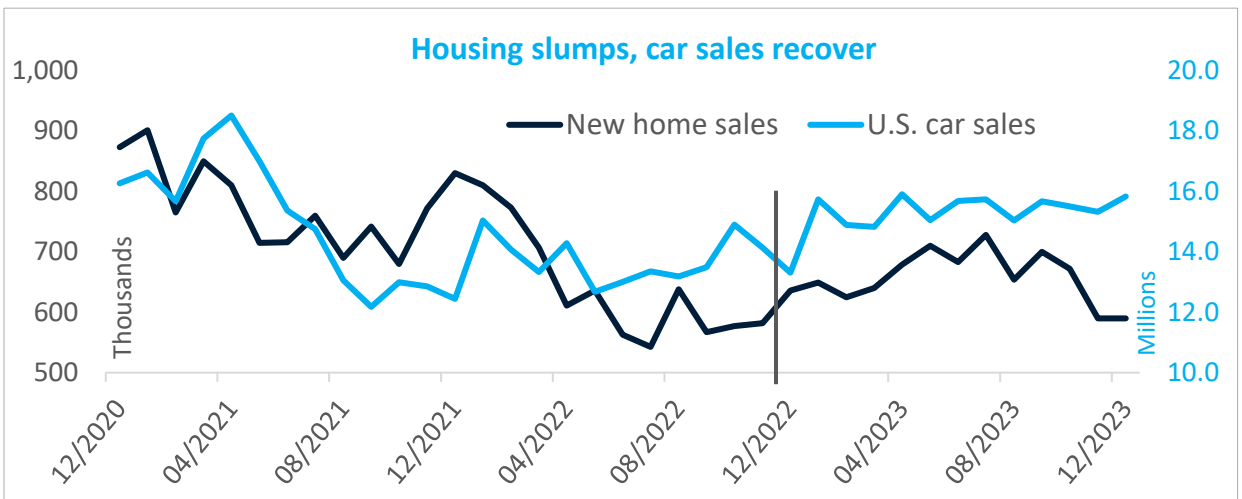
Chart 9: Unemployment and wage growth remained strong throughout the year.



Charts 10: GDP grew nearly 5% in Q3, bolstered by strong consumer spending.



Charts 11: Interest rates caused a slowdown in several sectors of the economy, such as housing sales.



For data source details, please see page 7.

Performance in 2023

Table 1: Overview

Name	Index Name	Total Return			OAS			Yield (%)	Duration	
		Dec	3 Mo	YTD	Dec	Δ Dec	Δ 3Mo			Δ YTD
Global TIPS	Bloomberg Global Inflation Linked Index	4.4%	2.3%	5.8%						
IG Corp	Bloomberg US Corporate Index	4.3%	4.8%	8.5%	98	-5	-13	-31	5.06	7.1
Mortgages	Bloomberg US Mortgage Backed Securities Index	4.3%	3.2%	5.0%	46	-10	-2	-5	4.68	5.9
US AGG	Bloomberg US Agg Index	3.8%	3.4%	5.5%	42	-4	-4	-10	4.53	6.2
US High Yield	ICE BofA US Cash Pay High Yield Constrained Index	3.7%	7.1%	13.4%	329	-43	-70	-146	7.60	3.3
US Treasury	Bloomberg US Treasury Index	3.4%	2.8%	4.1%					4.08	6.1
EM Debt <10	JP Morgan EMBI Global Diversified 1-10 Liquid Index	3.2%	4.7%	10.5%	546	-5	-11	-19	9.39	4.1
Munis	Bloomberg Municipal Bond Index	2.3%	3.2%	6.4%					3.22	6.0

Table 2: U.S. High Yield Industry Sectors

Name	ICE Diversified U.S. Cash Pay High Yield Index Name	Total Return			OAS			Yield (%)	Duration	
		Dec	3 Mo	YTD	Dec	Δ Dec	Δ 3Mo			Δ YTD
TMT	Telecom Media & Tech Index	4.8%	7.6%	11.9%	470	-66	-55	-60	8.87	3.6
Healthc	Healthcare Index	4.4%	8.1%	13.6%	367	-63	-152	-243	7.94	3.4
Fins	Financial & REIT Index	3.7%	7.9%	14.3%	283	-64	-114	-202	7.19	3.1
Cons Cyc	Consumer Cyclical Index	3.5%	7.2%	16.3%	278	-26	-91	-251	7.14	3.1
Core Ind	Core Industrial Index	3.5%	6.7%	13.0%	289	-46	-66	-143	7.16	3.0
Cons NCyc	Consumer Non-Cyclical Index	3.2%	7.6%	12.7%	242	-28	-83	-129	6.71	3.7
Energy	Energy Index	2.3%	5.1%	12.8%	269	-3	-17	-107	7.19	3.0

Table 3: U.S. High Yield Ratings

Name	ICE BofA US Cash Pay High Yield Constrained Index Name	Total Return			OAS			Yield (%)	Duration	
		Dec	3 Mo	YTD	Dec	Δ Dec	Δ 3Mo			Δ YTD
CCC	CCC Index	5.7%	7.1%	20.1%	793	-77	-47	-295	12.20	2.8
B	Single-B Index	3.6%	6.8%	14.0%	345	-53	-69	-171	7.79	3.0
BB	BB Index	3.2%	7.4%	11.4%	204	-32	-72	-106	6.32	3.6

Table 4: Emerging Market Debt

Name	JP Morgan Index Name	Total Return			OAS			Yield (%)	Duration	
		Dec	3 Mo	YTD	Dec	Δ Dec	Δ 3Mo			Δ YTD
EMBI IG	EMBI Global Diversified Inv Grade Index	4.7%	3.1%	7.1%	120	-7	-3	-18	5.24	7.9
EMBI DIV	EMBI Global Diversified Composite Index	4.7%	4.7%	11.1%	384	-21	-14	-68	7.85	6.8
EMBI HY	EMBI Global Diversified High Yield Index	4.7%	6.4%	15.4%	700	-33	-33	-122	10.99	5.6
EMBI DIV<10	EMBI Global Diversified 1-10 Liquid Index	3.2%	4.7%	10.5%	546	-5	-11	-19	9.39	4.1

Table 5: U.S. Investment Grade

Name	Bloomberg Index Name	Total Return			OAS			Yield (%)	Duration	
		Dec	3 Mo	YTD	Dec	Δ Dec	Δ 3Mo			Δ YTD
BBB Corp	BBB Rated Corporate Index	4.4%	5.3%	9.5%	121	-7	-17	-38	5.28	6.8
A Corp	A Rated Corporate Index	4.2%	4.4%	7.7%	84	-4	-10	-24	4.91	7.0
BBB 10+	BBB Long Corporate Index	7.4%	6.9%	12.7%	145	+2	-27	-48	5.51	12.5
BBB 5-10yr	BBB 5-10 year Corporate Index	4.4%	5.5%	9.6%	125	-11	-24	-47	5.15	5.9
BBB 1-5yr	BBB 1-5 year Corporate Index	2.0%	3.9%	6.6%	96	-11	-1	-17	5.17	2.5
Utility	Utilities Corporate Index	5.6%	5.0%	8.0%	105	-6	-16	-24	5.11	8.8
Industrial	Industrials Corporate Index	4.5%	4.9%	8.9%	90	-1	-13	-34	4.97	7.8
Financial	Financials Corporate Index	3.7%	4.6%	8.1%	111	-10	-12	-28	5.20	5.3

Table 6: U.S. High Yield Ratings

Name	Bloomberg US Treasury Index Name	Total Return			Yield (%)	Duration
		Dec	3 Mo	YTD		
20y Tsy	Twenty Year Duration Index	10.5%	1.0%	2.6%	4.11	20.0
10y Tsy	Ten Year Duration Index	5.8%	2.6%	3.8%	4.00	10.0
7y Tsy	Seven Year Duration Index	3.8%	2.8%	3.8%	3.87	7.0
5y Tsy	Five Year Duration Index	2.8%	3.3%	4.5%	3.87	5.0
3y Tsy	Three Year Duration Index	1.7%	3.2%	4.4%	4.00	3.0
2y Tsy	Two Year Duration Index	1.2%	3.0%	4.3%	4.27	2.0
1y Tsy	One Year Duration Index	0.8%	2.6%	4.8%	4.79	1.0
6m Tsy	Six Month Duration Index	0.6%	2.4%	5.0%	5.04	0.5

For data source details, please see page 7.

Data sources

BondBloxx, Bloomberg, JP Morgan, ICE Data Services, Bureau of Labor Statistics, Bureau of Economic Analysis, Federal Reserve, US Census Bureau, CBOE, National Association of Realtors, NYSE, ETFdb.com. As of 12/31/23.

Glossary & index definitions

- The **Bloomberg A Corporate Index** measures the A-rated, fixed-rate, taxable corporate 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 Financials Corporate Index** measures the investment grade, fixed-rate, taxable corporate bond market from issuers in the industrial sector, including the banking, financial services, and insurance subsectors.
- The **Bloomberg Global Inflation-Linked Total Return Index** measures the performance of investment-grade, government inflation-linked debt from 12 different developed market countries.
- The **Bloomberg Industrials Corporate Index** measures the investment grade, fixed-rate, taxable corporate bond market from issuers in the industrial sector.
- 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 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 U.S. 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 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.
- 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 Utilities Corporate Index** measures the investment grade, fixed-rate, taxable corporate bond market from issuers in the utilities sector.
- The **Consumer Price Index (CPI)** is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. Indexes are available for the U.S. and various geographic areas. Average price data for select utility, automotive fuel, and food items are also available.

- **Credit Spread:** the difference in yield between a debt security and its benchmark measured in basis points.
- 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 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 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. 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 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 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 Cyclical; Consumer Non-Cyclical.
- 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 **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.
- **Option Adjusted Spread (OAS):** For a bond, OAS 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.
- **Yield** is the annual rate of return on a bond. It has a reverse relationship with price such that as bond prices rise, yields fall.

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