

TAXABLE BOND MARKET

OCTOBER 2022 REVIEW

Fixed income markets were once again under pressure in October. Inflation surprised to the upside and the Fed reiterated its commitment to subduing it. The housing sector deteriorated further, and consumer sentiment remained dour, while the labor market showed few signs of weakening.

FED

Minutes from the September meeting made clear that the Fed will raise rates aggressively and keep them high until it sees evidence that inflation is coming down. The futures market has the overnight rate rising to 5% in May of 2023 before declining by almost 50 basis points through the end of the year.

INTEREST RATES

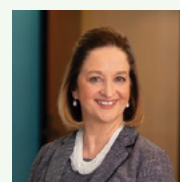
Yields across the curve were higher on the month, briefly touching new cyclical peaks before retreating. The front end sold off in response to increased Fed hawkishness, while long rates reflected rising confidence that the end of the hiking cycle is near.

CREDIT

Investment grade spreads traded in a tight range and ended unchanged amid a benign start to third quarter earnings. High yield benefited from a favorable technical environment, with low new issuance and few signs of fundamental distress.

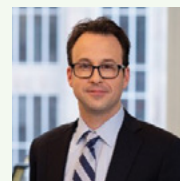
MBS

Mortgage-backed securities (MBS) underperformed Treasuries slightly. Rate volatility was a minor negative, though this was largely offset by slowing prepayments. Within the space, lower coupons lagged as a result of quantitative tightening, given that these were the focus of the Fed's previous purchases.



MARY F. KANE, CFA

*Partner
Taxable Bond Portfolio Manager*

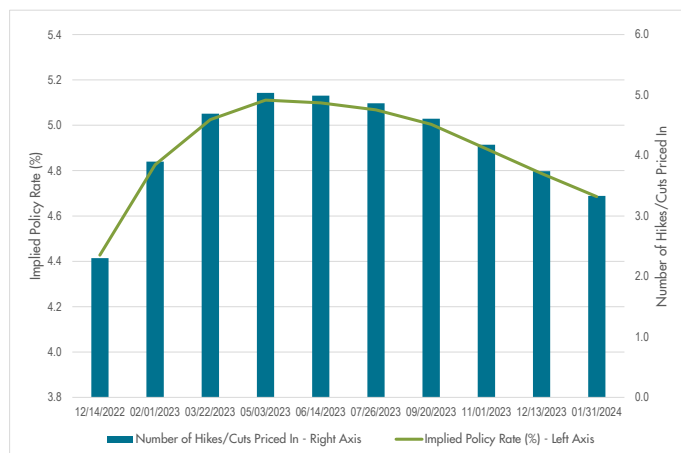


STEPHEN J. REPOFF, CFA

*Principal
Taxable Bond Portfolio Manager*

CHART 1

Implied Overnight Rate & Number of Hikes/Cuts



Source: Bloomberg

US TREASURY MARKET

October 31, 2022

Maturity	Yield	QTD	YTD	QTD	YTD
2-Year	4.49%	+21	+375	-0.19%	-4.77%
5-Year	4.23%	+14	+296	-0.54%	-11.27%
10-Year	4.05%	+21	+254	-1.86%	-18.40%
30-Year	4.17%	+39	+226	-6.85%	-36.18%

Sources: Bloomberg, FactSet

Performance represents total returns of the Bloomberg US Treasury Bellwethers Index for the maturities shown

INDEX CHARACTERISTICS AND PERFORMANCE

October 31, 2022

Index	CHARACTERISTICS				
	Yield to Worst	OAD (Years)	OAS (bps)	QTD	YTD
Bloomberg US Aggregate Bond	5.01%	6.11	65	-1.30%	-15.72%
US Treasury	4.39%	5.93	1	-1.39%	-14.30%
Bloomberg US Government Related	5.01%	5.07	64	-0.96%	-13.55%
Bloomberg US Corporate Investment Grade	5.93%	6.96	158	-1.03%	-19.56%
Bloomberg US Mortgage-Backed Securities	5.11%	5.99	73	-1.42%	-14.89%
Bloomberg US Asset-Backed Securities	5.46%	2.76	95	-0.84%	-5.85%
ICE BofA Fixed Rate Preferred Securities	7.17%	5.76	222	-1.99%	-16.44%
Bloomberg High Yield	9.12%	4.00	464	2.60%	-12.53%
Bloomberg High Yield — BB	7.36%	4.39	291	2.35%	-12.46%
Bloomberg High Yield — B	9.33%	3.67	482	3.30%	-11.66%
Bloomberg High Yield — CCC	15.31%	3.40	1082	1.28%	-15.64%
Bloomberg High Yield BB 1 – 5 Year	7.29%	2.61	268	1.98%	-6.75%

Source: FactSet

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www.gwkinvest.com

Boston Headquarters
222 Berkeley Street
Boston, Massachusetts 02116
617.236.8900

Other Locations
New York, New York
Winter Park, Florida

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