



A Mixed Bag as Signs of Spring Emerge

April highlights from the fixed income markets:

- Returns were strong across most of the fixed income landscape. Treasury returns were positive, and both investment grade (IG) and high yield (HY) corporate bonds posted gains in both absolute and excess (relative to similar-duration Treasuries) terms.
- Although Treasury yields moved higher on the short end (reflecting an expectation of another Federal Reserve (Fed) rate hike in early May), further out the Treasury curve, yield movements were mixed, with no dramatic changes.
- There were several areas of weakness and sources of concern to note:
 - The fallout from regional bank distress and its impact on future Fed actions.
 - Mortgage-backed securities (MBS). The MBS weakness was due, in part, to the large book of securities expected to be sold by the Federal Deposit Insurance Corporation (FDIC) as a result of the takeover of several failed regional banks.
 - Municipal bonds, an area which has been a market stalwart.
 - The high yield default rate reached an 18-month high.

Read on for more details and analysis from April.

MARKET SUMMARY

Fixed income returns were broadly positive in April. Treasuries and corporate bonds—both high yield and investment grade—produced positive returns, while municipal bonds lost ground. All broad categories are positive year-to-date.

YIELDS & RETURNS (%)¹

	Duration (years)	Yield	April Return	YTD Return
Treasuries	6.38	3.79	0.54	3.56
Investment Grade Corporates	7.45	5.10	0.77	4.29
High Yield Corporates	4.21	8.48	1.00	4.60
Municipal Bonds	5.94	3.39	-0.23	2.54

U.S. TREASURY MARKET

Treasury yield movements were mixed in April. Yields on short T-Bills rose, while yields were roughly flat to slightly lower across the rest of the curve. Short rates were impacted mainly by a widely expected rate hike at the Fed's meeting in early May.

TREASURY YIELDS (%)¹

	April Change	Year-to-Date Change	4/30/2023	3/31/2023	2/28/2023	1/31/2023
90-Day T-Bills	0.41	0.77	5.15	4.74	4.82	4.66
2-year Treasury	0.00	-0.37	4.03	4.03	4.79	4.18
5-year Treasury	-0.10	-0.47	3.49	3.59	4.16	3.60
10-year Treasury	-0.05	-0.40	3.43	3.48	3.90	3.49
30-year Treasury	0.01	-0.27	3.67	3.66	3.89	3.62

This update provides an overview of certain broad-based Fixed Income benchmarks and does not include performance of the Segall Bryant & Hamill Fixed Income styles. Past performance cannot guarantee future results. All investments involve risk, including the possible loss of capital. SBH is a wholly owned subsidiary of CI Financial, an independent Canadian investment firm.

Treasury returns were positive across the full curve, with the strongest performance coming in the 5- to 10-year area.

TREASURY RETURNS (%)¹

	Duration (years)	April Return	YTD Return
90-Day T-Bills	0.25	0.34	1.46
2-year Treasury	1.94	0.22	1.68
5-year Treasury	4.63	0.65	3.06
10-year Treasury	8.32	0.71	4.50
30-year Treasury	18.27	0.16	6.16
U.S. Treasury TIPS	6.99	0.11	3.45

BROAD INVESTMENT GRADE

Every sub-component of the Bloomberg U.S. Aggregate Index was positive in April, with all but mortgage-backed securities (MBS) outperforming similar-duration Treasuries. Intermediate corporate bonds had the strongest absolute and excess returns.

INVESTMENT GRADE INDEX & SECTOR RETURNS (%)¹

	Duration (years)	Yield	April Return	Duration adj. vs. Treasuries	YTD Return	Duration adj. vs. Treasuries
U.S. Aggregate	6.50	4.35	0.61	0.04	3.59	-0.05
Treasuries	6.38	3.79	0.54		3.56	
Agencies	3.41	4.35	0.41	0.00	2.51	0.00
Mortgage-Backed Securities	6.18	4.48	0.52	-0.10	3.06	-0.60
Asset-Backed Securities	2.92	4.92	0.50	0.16	2.37	0.11
Intermediate Corporates	4.29	5.01	0.77	0.21	3.29	0.34
Long Corporates	13.57	5.27	0.75	0.13	6.24	0.48

Corporate bond spreads tightened in April. MBS spreads widened over continued uncertainty around FDIC sales from failed banks' securities books.

INVESTMENT GRADE SPREADS (basis points)¹

	April Change	Year-to-Date Change	4/30/2023	3/31/2023	2/28/2023	1/31/2023
Intermediate Corporates	-3	8	124	127	107	103
Long Corporates	-1	1	159	160	158	145
MBS Current Coupon Spread	14	17	171	157	162	135

Returns were strong across all IG ratings categories, both in absolute and excess terms.

INVESTMENT GRADE CORPORATE CREDIT QUALITY RETURNS (%)¹

	Duration (years)	Yield	April Return	Duration adj. vs. Treasuries	YTD Return	Duration adj. vs. Treasuries
AAA	11.50	4.22	0.77	0.24	5.84	0.82
AA	8.82	4.44	0.69	0.14	4.66	0.36
A	7.33	4.91	0.79	0.22	4.13	0.32
BBB	7.27	5.39	0.76	0.16	4.36	0.46

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Spread moves on IG bonds were muted. The Communications, Basic Industry, and Financials sectors continue to trade the widest among IG sectors, while Consumer Cyclical and Capital Goods trade the tightest.

INVESTMENT GRADE CORPORATE BOND SPREADS BY SECTOR (basis points)¹

	April Change	YTD Change	4/30/2023	3/31/2023	2/28/2023	1/31/2023
Consumer Non-Cyclical	1	-1	113	112	113	105
Technology	1	2	113	112	113	103
Energy	-3	0	144	147	139	129
Consumer Cyclical	-1	2	105	106	101	97
Transportation	-3	-1	124	127	121	115
Basic Industry	1	2	155	154	145	139
Communications	4	-3	157	153	155	145
Capital Goods	2	0	111	109	109	102
Utilities	-3	4	133	136	130	120
Financials	-7	18	157	164	126	122

HIGH YIELD

High yield returns were strong in April in both absolute and excess terms, led by the riskiest CCC category. Spread moves favored risk in April, with CCCs outperforming BBs and Bs. Year-to-date, CCCs are also the strongest performer.

HIGH YIELD SECTOR RETURNS (%)¹

	Duration (years)	Yield	April Return	Duration adj. vs. Treasuries	YTD Return	Duration adj. vs. Treasuries
High Yield Corporates	4.21	8.48	1.00	0.48	4.60	1.73
BB	4.62	6.81	0.72	0.18	4.18	1.16
B	3.91	8.61	0.99	0.49	4.50	1.74
CCC	3.65	13.07	2.33	1.83	7.40	4.74

HIGH YIELD OPTION-ADJUSTED SPREADS (OAS) (basis points)¹

	April Change	YTD Change	4/30/2023	3/31/2023	2/28/2023	1/31/2023
High Yield OAS	-3	-17	452	455	412	420
BB OAS	3	-9	286	283	267	267
B OAS	-8	-32	457	465	421	434
CCC OAS	-41	-75	933	974	891	893

High yield sector spreads were mixed. HY Communications bond spreads widened the most in April, while Financials tightened the most.

HIGH YIELD CORPORATE BOND SPREADS (OAS) BY SECTOR (basis points)¹

	April Change	YTD Change	4/30/2023	3/31/2023	2/28/2023	1/31/2023
Consumer Non-Cyclical	-17	-40	478	495	465	483
Technology	22	14	512	490	446	435
Energy	-5	-17	342	347	330	325
Consumer Cyclical	-14	-66	411	425	393	407
Transportation	0	-57	366	366	323	340
Basic Industry	-1	-29	397	398	381	396
Communications	49	105	675	626	532	535
Capital Goods	-11	-45	348	359	336	346
Utilities	-3	-12	258	261	260	264
Financials	-24	-7	504	528	435	443

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The number of high yield issuers to have defaulted in the past year rose by 3 in April, driving the overall default rate to an 18-month high. This rate remains below the long-term average.

HIGH YIELD DEFAULT RATES²

	April Change	YTD Change	4/30/23	3/31/23	2/28/23	1/31/23
Number of Issuers in Default	3	7	20	17	17	16
Issuer Default Rate	0.3%	0.8%	2.4%	2.1%	2.0%	1.9%
Number of Issuers in Default (ex commodities)	3	7	19	16	16	15
Issuer Default Rate (ex commodities)	0.5%	1.0%	2.7%	2.2%	2.2%	2.1%

MUNICIPALS & OTHER

Municipal bond returns were negative in April, most notably in the short duration bucket. Municipal yields moved higher across virtually all ratings categories and maturities.

MAJOR MUNICIPAL BOND INDEX RETURNS (%)¹

	YTW	Duration (years)	April Return	YTD Return
Short Duration (1-5 Years)	2.97	2.61	-0.42	1.05
Intermediate (1-15 Years)	3.04	4.24	-0.28	1.99
Long Duration (22+ Years)	4.23	10.79	-0.19	4.07

MUNICIPAL YIELDS BY RATING CATEGORY AND MATURITY (%)¹

	AAA		AA		A		BBB	
	4/30	3/31	4/30	3/31	4/30	3/31	4/30	3/31
1 Year	2.81	2.45	3.09	2.67	3.22	2.79	3.73	3.37
5 Year	2.34	2.20	2.56	2.50	2.81	2.61	3.30	3.17
10 Year	2.34	2.26	2.59	2.57	2.88	2.83	3.29	3.22
30 Year	3.40	3.31	3.93	3.77	4.28	4.32	4.39	4.30

AA MUNICIPALS – HYPOTHETICAL AFTER-TAX YIELDS BY EFFECTIVE TAX RATE (%)³

	35%	30%	25%	20%
1 Year	4.75	4.41	4.12	3.86
5 Year	3.94	3.66	3.42	3.20
10 Year	3.98	3.70	3.45	3.24
30 Year	6.05	5.62	5.24	4.92

Preferred stocks and leveraged loans performed well in April, while emerging market government bonds and U.S. convertibles generated losses.

OTHER SECTOR RETURNS (%)^{1,4}

	Duration (years)	Yield	April Return	Duration adj. vs. Treasuries	YTD Return	Duration adj. vs. Treasuries
Emerging Markets	5.21	11.23	-0.93	-1.54	0.49	-2.82
Global Investment Grade Treasuries (Unhedged)	7.65	2.85	0.06	-0.03	3.15	0.08
S&P/LSTA Leveraged Loan Index		6.97	1.19		4.17	
S&P Preferred Stock Index		6.08	1.81		4.32	
U.S. Convertibles	2.08	0.76	-1.32		3.09	

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¹Source: Bloomberg.

²Source: Bank of America Merrill Lynch.

³Hypothetical yields are calculated as the AA municipal yield divided by (1-tax rate). Actual tax-adjusted yields will depend on individual tax circumstances.

⁴Source: Standard & Poor's.