

March 31, 2024

First Quarter Fixed Income Letter to Clients

During the first quarter of 2024, the fixed income markets experienced a period of volatility amidst ongoing economic uncertainties and shifting global dynamics. The Federal Reserve remained cautious in their approach to monetary policy, balancing the need to support economic growth with concerns over inflation. And inflationary concerns also dominate investor sentiment, fueled by supply chain disruptions, rising energy prices, and strong consumer demand.

Bond markets displayed resilience amid a backdrop of improving economic fundamentals and ample liquidity. US Treasury Bonds exhibited mixed movements during the quarter, attempting to find a balance between inflation expectations and central bank policy actions. Safe-haven demand persisted, particularly during this period of heightened market volatility driven by geopolitical tensions.

Tax-Free Municipal Bonds remained robust, supported by favorable financing conditions and investor appetite for preservation of principal and income. High-quality investment-grade bonds outperformed riskier assets, reflecting a preference for safety and stability in uncertain times. Meanwhile, spreads in the high-yield segment widened slightly. The municipal bond market's common bellwether, the S&P Municipal Bond Index's total return was -0.43% for the first quarter of 2024.

Looking ahead, the fixed income markets are likely to remain sensitive to developments surrounding inflation, central bank policies, and geopolitical events. We continue to monitor economic indicators closely for signs of inflationary pressures and adjustments in monetary policy trajectories. While the path forward may be characterized by heightened uncertainty, maintaining a diversified portfolio with a focus on risk management will be crucial in navigating evolving market conditions.

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