Invesco

Global Fixed Income Strategy

Monthly report

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Turgut Kisinbay
Chief US Economist

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Global macro strategy

US disinflation continues

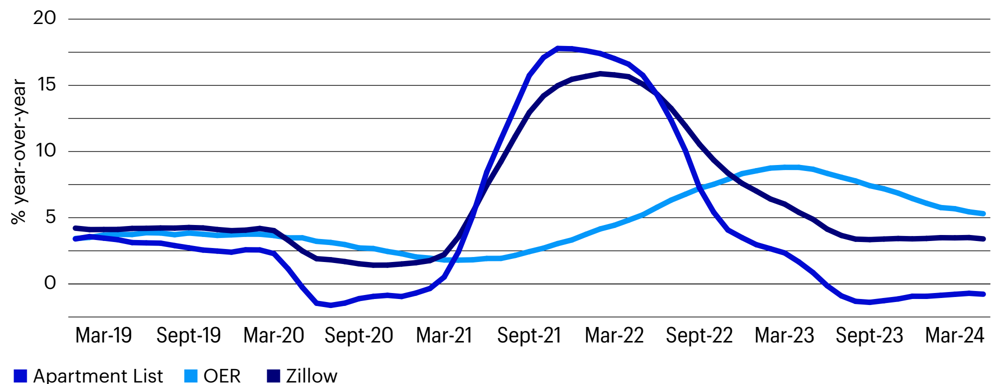
We believe the US continues to be on a disinflationary path. Progress on disinflation stalled at the start of the year, delaying the Fed's expected rate cutting cycle. But recent data have been more encouraging. Going forward, we believe three main factors will push inflation lower and toward price stability: declines in shelter inflation, declines in goods inflation and declines in non-shelter core services inflation.

1. Lower shelter inflation should drive disinflation. We expect shelter inflation to be a major source of disinflation in the coming months. This is because rent increases in new leases measured by private data sources show that rent inflation has returned to pre-pandemic norms. Nevertheless, official rent inflation measures in the Consumer Price Index (CPI) remain elevated due to inherent lags caused by methodology.

There are two major components of shelter inflation in the CPI: Owners' Equivalent Rent (OER) and rent of primary residence (rent). OER estimates the cost of living in an owner-occupied house as if it were a rental property, representing the rent that homeowners would theoretically pay if they rented their homes instead of owning them. The other important shelter component is the rent of primary residence. Both series are derived from the same data that sample rents and often closely mimic each other. However, they can occasionally diverge due to factors such as the cost of utilities considered by the Bureau of Labor Statistics (BLS). The main point is that the primary source data for both measures of shelter inflation are rent data.

It is widely known that official measures of shelter inflation lag behind current market rents with a substantial delay. This lag is by design, as official measures aim to represent the cost of living for all households, while new leases constitute a small share of households and are renewed gradually. It takes time for most contracts to be renewed and reflect underlying market trends, and in official measures, this lag can be more than a year (Figure 1).

Figure 1: Rent inflation: Lags between private sector measures and OER inflation



Source: Apartment List, Zillow, US Bureau of Labor Statistics. Data as of May 1, 2024.

The most recent measure of OER inflation was 5.7%, higher than the pre-pandemic norm of around 3.5%.[1] Given that current market rents are close to pre-pandemic averages, the measured official shelter inflation rate should also converge to pre-pandemic levels from its current elevated levels, which do not reflect the most recent trends.

2. Goods prices are declining. The second pillar of the disinflation story comes from the goods sector. Prices have decreased as supply chains have normalized and demand for goods has softened. While tariffs and near-shoring might have altered the landscape for goods prices in recent years, we believe near-term deflationary pressures are likely to continue for two reasons:

- **In addition to improvements on the supply side, demand for goods is weak.** Goods consumption surged during the pandemic when services were restricted, leading households to upgrade furniture, home electronics, and other items. As the economy reopened, demand shifted back to services. Goods demand has been weak for the last two years.
- **Big-ticket items in the goods sector are interest-sensitive, and high consumer loan interest rates have dampened demand.** The automotive sector, which is particularly sensitive to interest rates, exemplifies this trend. We expect new and used car prices, as well as some other interest rate sensitive goods prices, to decline this year. Disinflation in the goods sector may peak in the coming quarters, but for the balance of the year, we believe the deflationary trend will hold.

3. Moderating wages should constrain services prices. The third pillar in the disinflation story is non-shelter core services, which should moderate later this year along with declining wage inflation. Certain items in the core measure, may not always exhibit “core” properties. That is, they can be volatile and not highly correlated with underlying trend inflation. For instance, airfare prices can fluctuate significantly and, despite their relatively low weight in the index, can temporarily impact overall inflation because of wide seasonal gyrations and correlation with crude oil prices. Healthcare components can be backward-looking due to long-term contracts and regulatory approvals.

Having said that, some categories within this segment are wage sensitive and truly have core properties. Therefore, wage developments are expected to have an impact on inflation. Wage growth, as measured by the year-over-year percent change in average hourly earnings, has been cooling, currently tracking just above 4%, down from a peak of 5.9% in March 2022.[2] Forward-looking wage indicators suggest further cooling this year. Although the non-shelter core services category has been tracking on the high side recently, we expect it to follow the trend of moderating wage growth in the future.

Recent data are encouraging

Recent data for April and May suggest that the disinflationary path we expect may have resumed. May core inflation came in quite low at 0.16%, the lowest since March 2021.[3] While this low print is just one month’s number and may overstate the improvement, it was a step in the right direction. The April report was on the high side, but we still think it was favorable. Both months fit our narrative of modest deflation on the goods side and shelter inflation coming down – though slower than generally expected—and moderation in non-shelter core services inflation.

What we expect from the Fed

After three months of high inflation and a strong labor market early in the year, the Fed and financial markets became laser-focused on inflation. The market sharply adjusted its pricing of Fed cuts, moving from an expected six cuts or more to barely one. If inflation moderates as we expect, we believe the Fed will be able to see the risks as more balanced between its inflation and employment objectives in the coming months. We expect growth to remain around potential for the remainder of the year, and various indicators suggest a somewhat softer, though not weak, labor market. This backdrop should allow the Fed to deliver some rate cuts to reduce downside risks to employment, while still allowing it to maintain a restrictive policy stance. We anticipate two rate cuts this year: one in September and another in December.

1. Source: US Bureau of Labor Statistics. Data as of June 12, 2024.
2. Source: US Bureau of Labor Statistics. Data as of June 12, 2024.
3. Source: US Bureau of Labor Statistics. Data as of June 12, 2024.

Rob Waldner
Head of IFI Strategy and Macro Research

James Ong
Senior Portfolio Manager

Gareth Isaac
Head of Multi-Sector Portfolio Management

Tom Sartain
Senior Portfolio Manager

Yi Hu
Head of Asia Credit Research

Michael Siviter
Senior Portfolio Manager

Interest rate outlook

US: Neutral. We expect US Treasury yields to outperform cash in the long term. We favor an increase in US interest rate exposure if the market pushes the pricing of the start of the Fed's cutting cycle past December. We expect market volatility to decrease as inflation stabilizes. Due to ongoing uncertainty about the timing of the next rate-cutting cycle, our forecast now suggests that the Federal Reserve will begin cuts in September or December.

Europe: Overweight. We remain positive on European rates and see the current level of yields as an attractive investment opportunity, especially at the front end of the yield curve. The European Central Bank (ECB reduced rates at its policy meeting in June. While it downplayed the likelihood of a further cut in July, we expect it to cut interest rates more sharply than the market anticipates, as inflationary pressures recede in the coming months. While the region's economy has shown tentative signs of recovery following a dismal 2023, we see this as a cyclical bounce rather than a structural story and expect it to have limited impact on the path to lower inflation. The recent surprise announcement of an election in France has reignited political concerns across the bloc, which will likely further pressure core yields lower.

China: Neutral. We expect onshore Chinese interest rates to remain lower for longer, but room for downward moves appears limited in the near term, given the message in the central bank governor's speech on financial institution health and influences from external factors, which, we believe refer to the impact on exchange rates. In the medium term, further downward moves in rates are likely to come from a planned change in the monetary policy framework, particularly after the Fed enters into a rate-cutting cycle. China recently proposed a shift from pursuing a quantitative/credit growth target to becoming more interest rate oriented, accompanied by central bank government bond trading and enhanced transparency and policy guidance.

Japan: Underweight. 10-year Japanese government bond (JGB) yields hit a new cycle high of 1.08% in late May but have subsequently retraced much of last month's selloff.[4] The reversal followed a rally in US Treasuries on lower US inflation data and disappointment that the BoJ did not announce a reduction in quantitative easing (QE) purchases in June. However, JGB yields have relatively limited scope to decline further, in our view, as the BoJ has signalled that it will reduce QE purchases in the future, with a plan for the evolution of the balance sheet to be announced in July. Recent inflation data have been somewhat softer than expected, but forward looking indicators suggest that inflation is likely to remain around 2%, as the impact of the recent yen depreciation feeds into higher import prices. The BoJ appears increasingly confident that higher wages will underpin a shift to a 2% inflation environment, justifying a gradual shift away from super easy monetary policy. Future upside inflation surprises are now likely to trigger monetary policy action, as the BoJ seeks to normalize real interest rates.

UK: Overweight. The Bank of England's (BoE June meeting minutes signalled a very dovish reaction function, opening the way for the first interest rate cut in August if the next inflation print shows some further moderation. Beyond the two policymakers already voting for a rate cut, some policymakers thought the decision to hold rates in June was "finely balanced", with this group largely looking through recent upside surprises to services inflation and wages. The BoE's eagerness to ease could push down front-end yields, but the downside might be limited, unless we see a meaningful reversion in the recent upside surprises in services inflation and/or the labor market loosens in earnest. Rates pricing is already 40 basis points through the conditioning assumptions used in the May inflation report, suggesting that the August forecasts could well see a higher inflation forecast based on the current rate path priced by markets.[5] For the longer end, the BoE's willingness to take risks with inflation and a somewhat better overall growth picture may also act as a headwind for lower yields, likely supporting a steeper yield curve.

Australia: Overweight. Australian domestic data continue to be relatively mixed. Growth, particularly in per capita terms, is weak, with forward looking confidence indicators not pointing to much of a recovery. However, recent inflation data have been more persistent than the Reserve Bank of Australia (RBA) was expecting, making policymakers less tolerant of further upward surprises. Nevertheless, most data point to a gradual disinflationary trend, with signs of labor market loosening becoming evident. These trends suggest that the next RBA policy change is more likely to be a cut

4. Source: Bloomberg L.P. Data as of June 17, 2024.
5. Source: Bloomberg L.P. Data as of June 24, 2024.

than a hike. But given the domestic data picture, the RBA is likely to lag other developed market central banks in easing rates, which will likely be a headwind for front-end cross market outperformance. However, the Australian yield curve is far steeper than the US or eurozone curves, making long-term forwards attractive, in our view. The Australian yield curve's steeper starting point means it will likely not steepen as much as the US or eurozone curves in a future cutting cycle.

Rob Waldner
Head of IFI Strategy and Macro Research

James Ong
Senior Portfolio Manager

Gareth Isaac
Head of Multi-Sector Portfolio Management

Tom Sartain
Senior Portfolio Manager

Yi Hu
Head of Asia Credit Research

Michael Siviter
Senior Portfolio Manager

Currency outlook

USD: Neutral. We are broadly neutral on the US dollar in the short term. Given the US economy's recent outperformance and higher short-term rates than peers, the US dollar should remain well supported. Further ahead, the picture is less clear. On a valuation basis, the dollar screens expensive, in our view, especially versus some currencies like the Japanese yen. If the Fed presses ahead with rate cuts later this year, the US dollar will likely lose some of its lustre. Further ahead, our medium-term expectation is that the US economy will slow more than the market expects, leading to a more protracted rate cutting cycle by the Fed, which should prove to be more negative for the US dollar.

EUR: Underweight. We remain underweight the euro in expectation that the ECB will reduce rates further this year, as inflation in the region falls toward the central bank's 2% target. Although economic data in the region have begun to show signs of improvement recently, we maintain that falling inflation will likely drive the ECB toward reducing rates.

RMB: Neutral. In the near term, we expect the Chinese central bank to continue its efforts to maintain a relatively stable renminbi and USD/CNY exchange rate, though a higher USD/CNH exchange rate. As the US dollar strengthens, the renminbi is likely to appreciate slightly on a basket basis. In the medium term, it will likely be subject to a combination of various internal and external forces, particularly considering the new monetary policy framework. We note from the central bank governor's recent speech that policymakers are encouraging foreign financial institutions and international financial organizations to increase their presence in mainland China.

JPY: Neutral. Interest rate differentials continue to suggest that yen valuations are very cheap. However, the BoJ's very gradual policy normalization combined with still resilient global growth continue to pose headwinds to sustained yen appreciation. Investors are not willing to forgo the higher carry available in US dollars and euros until rates are cut faster than currently priced and to a level where the carry is too low relative to currency volatility. Such a situation will likely require a marked slowdown in global growth expectations, and not just an easing of upside inflation concerns, as is currently evident.

GBP: Underweight. Better UK growth and some flight to quality caused by political stress in the eurozone has supported the British pound. However, the BoE's dovish reaction function will likely undermine the main support for the pound, which is its interest rate advantage relative to most other European alternatives. The BoE's willingness to push real interest rates lower in the face of sticky inflation is not currency supportive. The expected Labor landslide in the upcoming election might support the pound, as the market predicts a more cooperative relationship with the European Union (EU). However, the Labor party has committed to not rejoining the EU Single Market or Customs Union, limiting the scope for a meaningful reduction in Brexit-related trade frictions in the short term.

AUD: Neutral. The RBA's relatively hawkish stance is a moderate support for the Australian dollar, but the lackluster domestic growth picture and recent decline in commodity prices continue to pose headwinds. Stronger global, and particularly Chinese, growth, combined with higher commodity prices is probably required for a meaningful Australian dollar appreciation cycle versus the US dollar. The Australian dollar might have more upside against the New Zealand dollar and European currencies, where domestic growth dynamics are weaker and central banks are likely to cut faster than the RBA.

Panelists

Rob Simnick
Senior Fixed Income Trader

Chris Maurice
High Yield Trader

Rahim Shad
Portfolio Manager

Matt Brill
Head of North America Investment Grade

This section highlights the views of Invesco Fixed Income's credit analysts across a broad range of fixed income assets managed by Invesco.

Global credit strategy

How new tools have improved credit trading

Invesco Fixed Income traders and portfolio managers share their take on new developments in credit trading and how they are enhancing our capabilities across strategies for our clients.

Q: Could you bring us up to speed on recent developments in credit trading?

Rob: There are many new protocols for trading in investment grade and high yield corporate bonds that did not exist even a few years ago. This means there are new "tools" to handle the higher volumes of trades we are executing because of a growing corporate bond market and consistent new flows into the US dollar corporate market. Each of these tools can help us with different execution scenarios and outcomes that accomplish the goals of our strategies. For one, the growth of electronic trading has been staggering.

Chris: Several factors have driven the shift toward electronic trading: the rise of "electronic native" or electronically oriented dealers, the increase in ways to trade electronically and its growing adoption by legacy players. In practical terms, this means that traders have many more avenues for liquidity, resulting in shrinking bid/ask spreads and greatly improved liquidity overall in credit asset classes.

Q: What role do exchange traded funds (ETFs) play in the credit trading ecosystem?

Chris: In high yield, before ETFs, there wasn't an efficient hedging product at scale. When dealers were asked to price large quantities of bonds, they had to price them at a level where they were confident that they could move the risk quickly, so as not to hold it on their books for an extended period of time. This concern has decreased with the ability to hedge market beta risk through different ETFs. ETFs as efficient hedging tools have consequently led to the development of entirely new ways to trade high yield bonds, the main one being the portfolio trade. In a portfolio trade, investors can move large amounts of risk in the form of a diversified basket of corporate bonds. While each individual line item is priced, the trade is evaluated by portfolio level characteristics (such as weighted average price and weighted average yield). Traders can now move large amounts of bonds at a fraction of the bid/ask spread that prevailed only a few years ago.

Q: How has this impacted the way Invesco Fixed Income interfaces with the market?

Rob: One way ETFs have changed how we interface with the market is the rise of "list" or "portfolio trading" analysis. If we have a large group of bonds to trade at once, we can analyze the overlap of that list with the largest fixed income ETFs to find what percentage of our list matches their holdings. This helps us anticipate the quality of our executions and allows us to shape our list to trade for a better outcome. We have observed that if our list overlaps with around 75% of the holdings in one or more large, fixed income ETFs, then that list trades better- including a smaller bid-ask spread and better pricing on the bonds - than a list with a smaller overlap.

Chris: In high yield, the rise of ETFs and electronic trading are causing a shift in our trading practices from traditional voice trades to electronic trades. But perhaps the biggest change has been how traders think about executing a trade. In the past, a trader's first thought was, which bank to call to execute a trade? Now, traders ask, will there be more orders, can the trade be executed as a portfolio trade and are any counterparties currently looking for this trade on the electronic platforms? In other words, the decision tree in the pre-trade process has expanded greatly, which gives traders the opportunity to be thoughtful and provide value by getting the best execution for clients and helping portfolio managers execute their ideas efficiently.

Q: Where do you expect to see more innovation?

Chris: There is currently a push by fintech companies to build a product that gathers data from electronic trading networks and provides data dashboards to facilitate the pre-trade analytics decision tree referenced above. In addition, banks are developing new bespoke derivative products that are made possible by the increased liquidity driven by recent trading improvements.

Rob: Portfolio trading is the biggest innovation in corporate bond execution seen in many years. It became a new protocol in 2018 and has been a focus of the buy and sell sides of the credit market ever since. We expect the next big innovation to be "direct line" trading with dealers. There has always been a

party in between the buy and sell sides of the bond market, whether it has been a salesperson, an algorithm and/or a fee-based execution platform. The direct line trading protocol currently exists to some extent. But it has little support among our counterparties because of technology hurdles and pushback from the “middlemen”, since it could potentially shrink bid/ask spreads further, making the market less profitable for the sell side. The corporate bond market has historically changed slowly, but we think the adoption of direct line trading will pick up in the next few years, giving us yet another tool to accomplish our trade execution goals more successfully.

Q: How have innovations in trading impacted your portfolio construction process?

Rahim: Our process has evolved with the growth in market tools such as ETFs, credit derivatives, and portfolio trading. Whether the objective is strategic or tactical, we can now move portfolio positioning quickly to our targets. While the overall US corporate high yield index is largely comprised of issue sizes that we consider more liquid (84% of index issues are more than USD500 million each, assembling bonds individually introduces two challenges: first sourcing, since an over-the-counter process requires a buyer to match with a seller, and second, there is friction in the trade, with average transaction costs ranging from 25 to 75 basis points in performing credit.8Portfolio trading addresses these challenges by allowing us to buy or sell portfolios well inside of the low end of these transaction costs. Similarly, ETFs can be an effective tool to manage short-term liquidity needs while credit derivatives allow us to manage beta efficiently.

Q: Do you consider liquidity in assessing the valuation of corporate bonds?

Rahim: Yes, we consider the liquidity of individual bonds we invest in, as well as the liquidity profile of the entire portfolio. As mentioned above, around 16% of the high yield index has bonds with issue sizes less than USD500 million, where liquidity premiums tend to be on the higher side.[6] Drilling down further, this impact is amplified across CCC securities (13% of index) irrespective of the issue size.[6] Luckily, the rise of ETFs and portfolio trading have positively impacted liquidity premiums (compensation investors demand for transaction costs) in the market. From 2011 to 2016, the liquidity premium averaged around 26% of the overall spread. From 2017 to 2023 this dropped to 20%.6As a result, we can now efficiently access a broad range of the market to position our portfolios appropriately.

Q: How would you sum up the impact of these tools on credit portfolio management?

Matt: The advancement and evolution of these credit tools have enabled us to quickly increase or decrease our credit beta based on our view of the markets. While we always look to provide alpha from specific security selection, in periods where the market is changing quickly, we may simply want to own more or less risk outright. We can change our overall exposure to investment grade or high yield very quickly compared to how long it took in the past. This allows us to be more tactical in our positioning while keeping trading costs low. All this results in taking an active management approach to both security selection and overall top-down beta, with the top-down beta part now easier than ever to implement.

6. Source: Invesco, Barclays Research. June 14, 2024.

Panelists

Justin Mandeville
Senior Portfolio Manager

The bottom line: Could we see a repeat of 2019's reserve scare?

As the Fed shrank its balance sheet from October 2014 to September 2019, the level of bank reserves on deposit with the Fed fell to around USD1.5 trillion. The Fed believed this amount would leave the banking system with ample reserves to support its smooth functioning. However, in September 2019, the overnight repurchase agreement (repo market experienced heightened volatility and sharp increases in rates, as banks held onto reserves instead of using them to lend. In this discussion, we review the factors that influenced the sharp moves in the repo market and explore the possibility of a reoccurrence of this event.

Q: What happened in September 2019?

In September 2019, overnight repo rates spiked when the corporate tax payment date coincided with the settlement of a large volume of US Treasury securities, causing bank reserves to fall. The market was prepared for some upward pressure on overnight repo rates due to these seasonal factors, but the extent of the increase in the level and volatility of rates caught market participants by surprise.

Q: What factors led to the upward pressure on overnight funding rates in September 2019?

Quarterly corporate tax payments due on September 16 were withdrawn from bank and money market mutual fund (MMF accounts and went to the Treasury's account at the Fed. At the same time, primary dealers were accommodating a high volume of Treasury settlements and needed to finance them through the repo market. So, bank reserves were at a multi-year low, which reduced liquidity, while Treasuries outstanding were at an all-time high, which led to increased borrowing demand.

As a result of tax payments and the settlement of Treasury auctions, cash reserves in the banking system fell by about USD120 billion over two business days. Aggregate reserves reached a multi-year low of less than USD1.4 trillion. It is not uncommon for reserves to fall as much as USD100 billion over a day or two, but a decline of this nature had not previously occurred against such a low level of aggregate reserves.[7]

In the repo market, there were more Treasury securities to finance with less cash. The increase in repo rates on September 16 appeared to stem from a supply-demand mismatch: Banks held onto their reserves instead of using them to lend at attractive interest rates, a sign that banks felt they didn't have reserves to spare. In other words, reserves were not sufficiently "ample".

Q: How did the Fed respond?

In response to sharply higher overnight repo rates, the Fed announced that it would provide up to USD75 billion in overnight repo each morning for the rest of the week. All three repo operations were fully subscribed. These operations provided USD53 billion in additional reserves and led to an immediate decline in short-term rates.

On September 19, the Fed also implemented a five basis point technical adjustment to its two administered rates. The interest rate on excess reserves (IOER) was lowered to 20 basis points below the top of the federal funds rate target range and the overnight reverse repo rate was lowered to five basis points below the bottom of the target range.

On September 20, to address potential stresses around the September 2019 quarter-end, the Fed announced a schedule of term and overnight repo operations spanning the quarter-end. Additionally on October 11, the Fed announced two important steps to ensure that the supply of reserves would remain "ample", in other words, at or above the level that prevailed in early September 2019.

The Fed also announced that it would purchase Treasury bills at a pace of about USD60 billion per month through the second quarter of 2020 and extended its overnight and term repo operations through at least January 2020.

In July 2021, the Fed formally created a new backstop—the Standing Repo Facility—which banks can turn to if they urgently need cash "to support the effective implementation of monetary policy and smooth market functioning". The facility offers banks and primary dealers cash in the form of overnight loans collateralized by US Treasuries, agency debt and agency mortgage-backed securities. Today, this facility remains an important backstop for smooth money market functioning.

7. Source for all figures: Board of Governors of the Federal Reserve System. FEDS Notes, Feb. 27, 2020.

Q: What were the key takeaways from the events of 2019?

- The Fed has seen the difficulty of assessing when bank reserves are "ample" and the volatility that can result in money markets when reserves prove "less than ample". The Fed's actions in September 2019 are still instrumental today in providing stability in the overnight repo markets, particularly in the face of increased Treasury issuance and when modest rate pressure is expected.
- Demand for funds in the repo market proved to be highly inelastic, which led cash borrowers to pay significantly higher rates to secure the funding they needed.
- On the lending side, uncertainty about cash flows and market conditions contributed to the reluctance of lenders to increase their lending in response to higher rates.
- For banks, this reluctance may have been exacerbated by frictions caused by supervisory and regulatory factors, including their internal risk management practices, which may have prevented them from lending their excess funds to take advantage of higher rates.

Q: What drives usage of the Fed's overnight reverse repo operations (O/N RRP) today and is it a good indicator of potential reserve challenges?

The Fed's O/N RRP is available to a wide array of financial institutions and sets a hard floor on the federal funds rate, improving the Fed's control over short-term interest rates. Between May 2023 and June 2024, O/N RRP balances fell from USD2.2 trillion to around USD430 billion. However, we do not believe this is a sign of reserve scarcity or a potential source of money market disruption.

Increased Treasury issuance, as we have seen in the past year, must be financed by private dealers. This need translates into more repo supply and higher repo rates offered by dealers to money market investors versus the levels offered by the Fed through its O/N RRP. Therefore, investors typically reduce their participation in the Fed's operations in favor of the higher repo rates offered by private dealers.

Portfolio positioning driven by potential adjustments in monetary policy also plays a key role in the usage of the O/N RRP facility. If investors see investment opportunities in longer duration securities, they may reduce their allotment to the Fed O/N RRP to purchase fixed rate securities further out the yield curve.

Q: What is Invesco's view on the importance of the O/N RRP as a signal of potential market disruption?

Fed officials have viewed the total size of the Fed's O/N RRP as a gauge of the amount of liquidity in financial markets and thus a guide to when the Fed should stop reducing its balance sheet. But, in our view, the Fed's O/N RRP daily trading volume is not a direct indicator of the scarcity or availability of bank reserves since several other factors can cause the usage of the Fed O/N RRP to fluctuate.

We also believe the various tools that the Fed has implemented to mitigate the possibility of events similar to those of September 2019 will likely be effective and we do not expect a repeat occurrence. We especially point to the importance of these two steps:

- The establishment of the Standing Repo Facility, which provides a backstop for banks during times of stress.
- The Fed's ongoing reserve management, which aims to gradually slow the pace of its balance sheet run-off to ensure that bank reserves remain ample.

Invesco Fixed Income team contributors

Senior Editor — Ann Ginsburg

Atlanta

Rob Waldner
Head of IFI Strategy and Macro Research
+1 404 439 4844
robert.waldner@invesco.com

James Ong
Senior Portfolio Manager
+1 404 439 4762
james.ong@invesco.com

Chris Maurice
High Yield Trader
+1 404 439 3280
christopher.maurice@invesco.com

Rahim Shad
Portfolio Manager
+1 404 439 4782
rahim.shad@invesco.com

Matt Brill
Head of North America Investment Grade
+1 404 439 4829
matthew.brill@invesco.com

Justin Mandeville
Senior Portfolio Manager
+1 404 439 4701
justin.mandeville@invesco.com

Ann Ginsburg
Head of Thought Leadership Fixed Income
+1 404 439 4860
ann.ginsburg@invesco.com

New York

Turgut Kisinbay
Chief US Economist
+1 212 323 0460
turgut.kisinbay@invesco.com

Downers Grove, Illinois

Rob Simnick
Senior Fixed Income Trader
+1 630 684 6715
robert.simnick@invesco.com

London

Gareth Isaac
Head of Multi-Sector Portfolio Management
+44 20 7959 1699
gareth.isaac@invesco.com

Michael Siviter
Senior Portfolio Manager
+44 20 7959 1698
michael.siviter@invesco.com

Tom Sartain
Senior Portfolio Manager
+44 20 7034 3827
thomas.sartain@invesco.com

Hong Kong

Yi Hu
Head of Asia Credit Research
+852 3128 6815
yi.hu@invesco.com

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Fixed-income investments are subject to credit risk of the issuer and the effects of changing interest rates. Interest rate risk refers to the risk that bond prices generally fall as interest rates rise and vice versa. An issuer may be unable to meet interest and/or principal payments, thereby causing its instruments to decrease in value and lowering the issuer's credit rating.

The values of junk bonds fluctuate more than those of high quality bonds and can decline significantly over short time periods.

The risks of investing in securities of foreign issuers, including emerging market issuers, can include fluctuations in foreign currencies, political and economic instability, and foreign taxation issues.

The performance of an investment concentrated in issuers of a certain region or country is expected to be closely tied to conditions within that region and to be more volatile than more geographically diversified investments.

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All data as of June 24, 2024, unless otherwise stated. All data is USD, unless otherwise stated.

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