• Treasury yields rose, especially in the belly of the curve where rates increased by at least 6bps, as a risk-on tone pushed equity prices higher and corporate spreads tighter

• The US Treasury auctioned $84 billion in Treasuries this week, which included the auction of $27 billion in 10-year notes - an all-time record for single issuance in that tenor

• Despite strong demand from investors for newly-issued corporate bonds and deals being multiple times oversubscribed, issuers priced only $12 billion in the primary market, less than the $20 billion anticipated
  • Verizon Communications priced its first green bond, with a $1 billion deal, which was highly demanded by investors and orders totaled over $8 billion
  • February is expected to be a heavy month of issuance, with estimates of over $85 billion in new supply, as companies exit quiet periods that typically follow earnings releases

• Lighter-than-expected activity in the primary market combined with a positive tone in risk assets to tighten investment-grade corporate spreads by 4bps month-to-date to 124bps

• Positive performance in the domestic equity markets spilled into high-yield corporates, and spreads tightened by 23bps to close at 400bps
  • High-yield funds saw inflows of $3.7 billion this week, the biggest inflow since December 2016

• Securitized sectors continued to struggle to keep pace with corporates, as investors favored riskier assets

• Issuance of municipals totaled over $27 billion year-to-date, which was ahead of last year’s pace of almost $22 billion
  • Despite heavy supply, munis outperformed Treasuries and ratios moved lower across the curve

Sources: Bloomberg Barclays, Bloomberg and JP Morgan
Excess returns are the curve-adjusted excess return of a given index relative to a term structure-matched position in Treasuries.
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