A risk-off market tone pushed Treasury yields sharply lower across the curve amid investors’ concerns over global trade tensions and slowing economic growth

- Tensions between China and the US amplified, as President Trump announced a 10% tariff on $300 billion of Chinese goods will begin on September 1st
- The Chinese government devalued its currency, the yuan, and announced an end to US agriculture imports
- Non-farm payrolls for July came in at 164,000, below the 225,000 monthly average for 2019

New issuance of investment-grade corporates has totaled over $32 billion month-to-date, surpassing dealer expectations of $30 billion

- Supply was highlighted by Occidental Petroleum’s $13 billion deal, the proceeds of which will be used to help fund its acquisition of Anadarko
- With solid investor demand, spreads on the ten-tranche deal priced 35 to 50bps lower than initial guidance

Market volatility, along with the heavy new issuance, weighed on investment-grade corporate spreads, which moved wider by 14bps to close at 122bps

Mortgage-backed securities (MBS) underperformed other securitized sectors, as the sharp decrease in rates increased the probability of faster prepayment speeds

CommonSpirit Health – a healthcare entity recently created by the alignment of Catholic Health Initiatives and Dignity Health – launched a $5.8 billion deal across the curve in taxable and tax-exempt municipal bonds; the deal was well received by investors

Sources: Bloomberg Barclays, Barclays, and Bloomberg Index Services Limited

Excess returns are the curve-adjusted excess return of a given index relative to a term structure-matched position in Treasuries. The views contained in this report are those of IR+M and are based on information obtained by IR+M from sources that are believed to be reliable. This report is for informational purposes only and is not intended to provide specific advice, recommendations, or projected returns for any particular IR+M product. No part of this material may be reproduced in any form, or referred to in any other publication, without express written permission from Income Research & Management. BLOOMBERG® is a trademark and service mark of Bloomberg Finance L.P. and its affiliates (collectively “Bloomberg”). BARCLAYS® is a trademark and service mark of Barclays Bank Plc (collectively with its affiliates, “Barclays”), used under license. Bloomberg or Bloomberg’s licensors, including Barclays, own all proprietary rights in the Bloomberg Barclays Indices. Neither Bloomberg nor Barclays approves or endorses this material, or guarantees the accuracy or completeness of any information herein, or makes any warranty, express or implied, as to the results to be obtained therefrom and, to the maximum extent allowed by law, neither shall have any liability or responsibility for injury or damages arising in connection therewith.