• The US and China agreed to resume trade talks, buoying market sentiment on the heels of mixed US economic data and implementation of recently announced tariffs
  • Trade talks are set to restart in early October, the first direct discussion since July; US and global stocks rallied on the news
  • In the US, jobless claims remained steady; however, manufacturing contracted for the first time since 2016, as the ISM index fell to 49.1 in August, missing expectations of 51.1
• Commentary from Federal Reserve (Fed) officials was dovish during the week; the New York Fed president indicated that although the economy was stable, the outlook may be worse than previously expected
• Yields initially fell earlier in the week, but sold off meaningfully on Thursday as markets reacted to positive trade developments
• In the first two days of the week, $54 billion of investment-grade corporate new issuance priced; it was the biggest week of 2019, and a new two-day record
  • Despite heavy issuance, investment-grade corporate spreads closed at 122bps – only 2bps wider – as overall supply remained below last year's pace
• Securitized sectors outperformed corporates due to light supply; however, the new issuance pipeline for the coming weeks is healthy
• In the municipal market, taxable and tax-exempt debt rallied broadly as an Illinois judge denied a petition to invalidate more than $14 billion of GO bonds

Sources: Bloomberg Barclays, Bloomberg, 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.
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