• Economic data released in Europe this week weighed on market sentiment and sent Treasury yields lower by over 5bps across the curve
  • The Eurozone’s purchasing manager index (PMI) fell to 50.4 in September – a six-year low – and investors domestically are worried that slow European growth may spill over to the US
  • Although this week’s trade-dispute headlines reflected a constructive tone, the months-long disruption to global supply lines has negatively affected the European economy
  • Amid the uncertainty surrounding Europe, Treasury rates fell across the curve, and the 10-Year note rallied 5bps to close at 1.74%
  • The Federal Reserve (Fed) raised its repurchase operations from $70 billion to $100 billion as banks’ short-term demand to borrow cash is expected to rise heading into quarter-end
  • Monthly supply of investment-grade corporates surpassed $154 billion, introducing September into the top-five heaviest months of new issuance
    • Issuance for the month is up 11%, year-over-year, and the number of issuers has risen from 78, last year, to 127
  • Despite the increased supply, corporate spreads were wider by only 1bp week-over-week, to 115bps; however, spreads are 6bps tighter on the month, as investors globally continue to hunt for positive-yielding bonds
  • Asset-backed securities (ABS) underperformed other securitized sectors, as heavy ABS issuance of more than $24 billion month-to-date weighed on the sector
  • Supply of taxable municipals has materially increased this year, driven by lower Treasury rates and municipalities refinancing outstanding debt through taxable issues – a mechanism no longer available in the tax-exempt market

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. 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.