• Risk sentiment improved this week, despite some weaker economic headlines, as a positive start to earnings season and progress in trade talks supported risk assets
  • Monthly US retail sales fell for the first time since February, counter to expectations of an increase in September
  • President Trump announced that US-China discussions reached the next step, which included agricultural concessions from China
• The risk-on tone pushed intermediate- and long-end Treasury yields over 10bps higher week-over-week, and the curve steepened
  • The yield of the 10-year Treasury Note surpassed the 3-month Treasury Bill for the first time since July, and is 0.09% higher
• The start of third quarter earnings likely weighed on the new issue calendar, with issuers being subject to blackout periods
  • Investment-grade borrowers brought roughly $4 billion of new supply, well below estimates of $15 billion for the week
  • Several domestic banks already reported earnings, and it is expected that they will issue new bonds in the near term
• Lighter-than-expected issuance, and solid demand, supported investment-grade corporate spreads, which tightened 6bps to 114bps
  • High-yield corporate spreads followed suit, and tightened by 34bps, closing at 379bps
• Contrary to corporates, the primary market was active for asset-backed securities (ABS), as $15 billion priced over the last two weeks
• Muni/Corporate spreads fell by 1-3%; however, supply is expected to be $21 billion over the next 30 days, and will likely be a headwind going forward
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• Muni corporates outperformed Treasuries and muni/Treasury ratios fell by 1-3%; however, supply is expected to be $21 billion over the next 30 days, and will likely be a headwind going forward

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.