IR+M

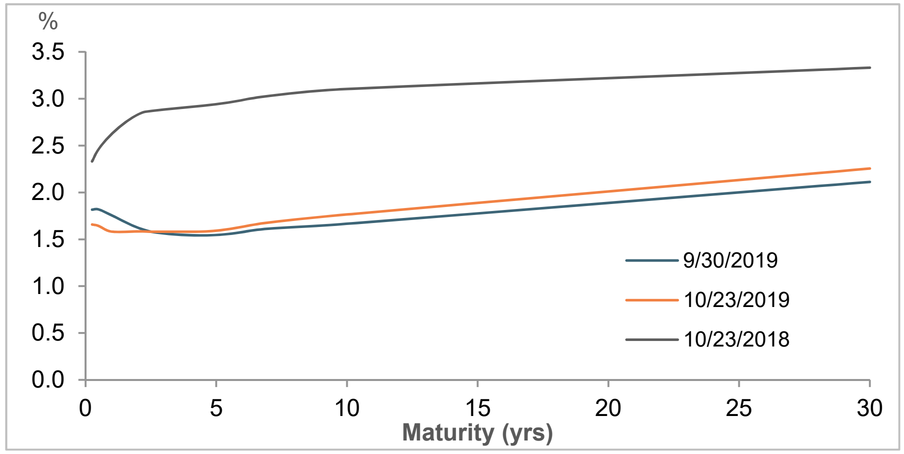
INCOME RESEARCH + MANAGEMENT

IR+M CLIENT UPDATE

October 18 – October 24, 2019

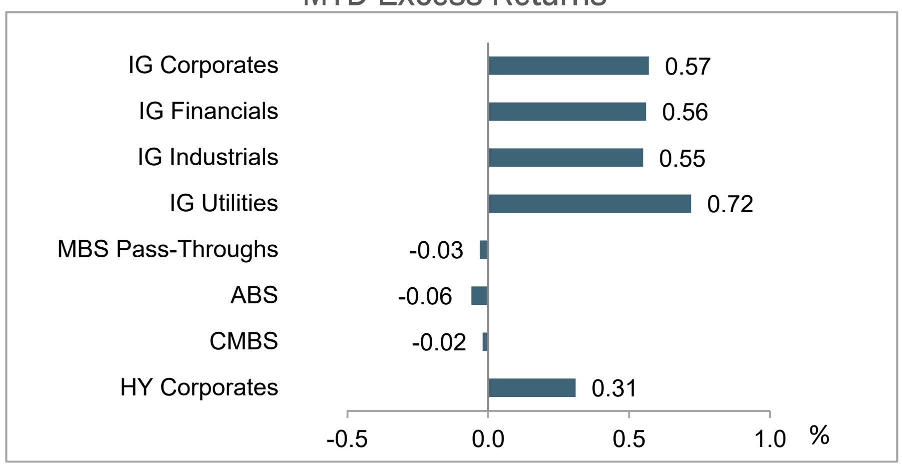
- Optimism over the potential for a US-China trade truce and a resolution to Brexit negotiations outweighed further evidence of a global slowdown, lifting market sentiment this week
    - US durable goods orders fell 1.1% in September, the biggest drop in four months, and manufacturing PMI data released for the Eurozone and Japan showed both economies remain in contraction territory, at 46.2 and 48.5, respectively
- Central banks across the globe have been largely accommodative in light of deteriorating conditions; more than 30 central banks have enacted rate cuts in 2019
    - The European Central Bank (ECB) kept rates unchanged and vowed to hold them at current levels until inflation picks up
    - The Federal Reserve (Fed) will meet next week, and the market-implied probability of a 25bps rate cut is over 90%, with additional cuts expected next year
- Investment-grade corporate issuance of approximately $5 billion was below dealer estimates of $15 billion; October issuance is up to $30 billion, far short of the originally expected $85 billion
    - Low supply and benign market conditions supported investment-grade spreads, which tightened by 3bps, closing at 110bps
    - High-yield corporate spreads tightened by 8bps, the result of positive momentum in the equity markets
- Issuance of asset-backed securities (ABS) was $5 billion this week; year-to-date volume exceeded levels from last year and has weighed on excess returns this month
- Positive inflows continued in the municipal market, as investors added $1.5 billion in the past week, marking the 41st consecutive week of net inflows

Treasury Yield Curve



Maturity	2-year	5-year	10-year	30-year
10/23/2019	1.58	1.59	1.77	2.26
MTD Change	-0.04	0.04	0.10	0.15

MTD Excess Returns



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.