• Treasury yields rose across the curve week-over-week, as positive US economic data was released and trade talks with China appeared to gain momentum
  • The yield on the 10-year Treasury increased by 14bps, as investors preferred risk assets, to close at 1.83%
  • October’s nonfarm payrolls employment report of 128,000 exceeded expectations of 75,000; the figures for August and September were revised upward, reflecting an additional gain of 95,000 jobs
  • As reported, the first phase of a long-term trade deal between the US and China could roll back a portion of tariffs placed on both countries’ products

• Investment-grade corporate issuers priced over $22 billion in the first four trading sessions of November – a reversal from the quiet end to October which saw typical black-out periods during the release of third quarter earnings
  • Despite the heavy supply, demand for corporate bonds remained solid, and spreads narrowed by 3bps to close at 107bps – the tightest level of the year
  • High-yield corporates rallied with equities, and have bested higher-quality bonds so far this month, with excess returns of 0.52%
  • Mortgage-backed securities (MBS) outperformed other securitized sectors, as the upward shift in Treasury rates allayed investors’ fears of higher prepayment speeds
  • Municipals outperformed Treasuries, as increased issuance of taxable municipals replaced much of the tax-exempt supply; the 10-year muni/Treasury ratio decreased by 4% to close at 84%

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.