



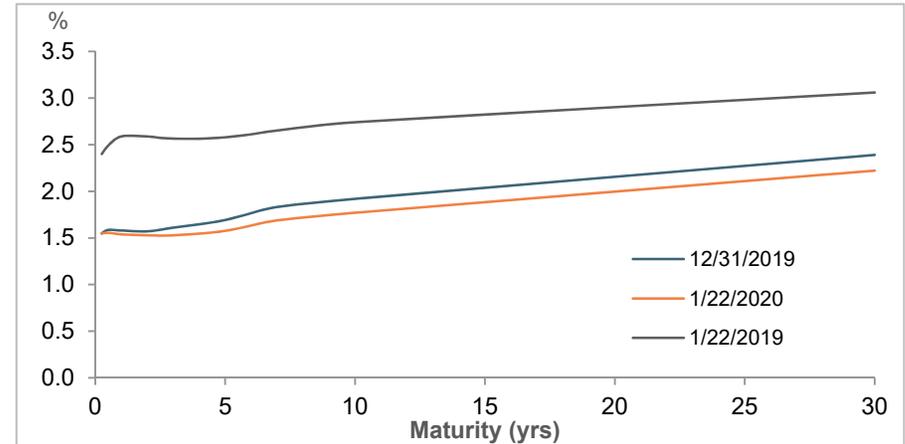
INCOME RESEARCH + MANAGEMENT

IR+M CLIENT UPDATE

January 17 – January 23, 2020

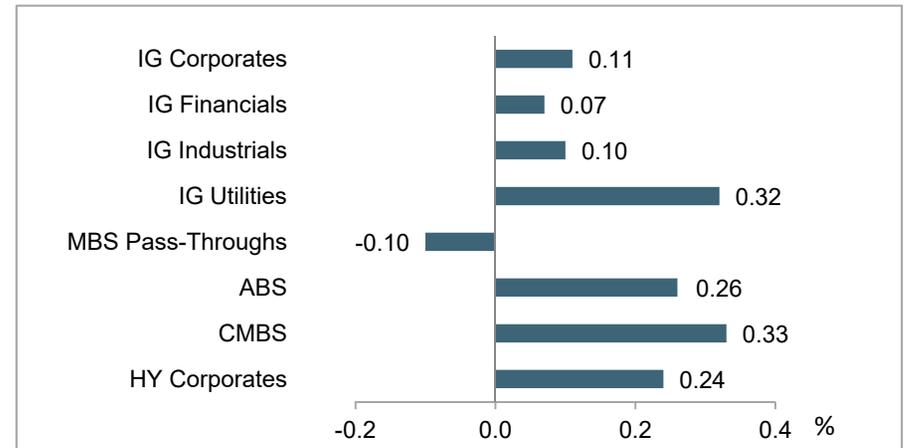
- US economic data during the week largely beat expectations, and demonstrated the US labor market and economy remain healthy
 - The US Commerce Department reported that housing starts spiked to a 13-year high in December; however, permits for new homes fell more than expected
 - Jobless claims were below expectations at 211,000, and layoffs hovered near a 50-year low
- The Treasury announced that it would sell 20-year government bonds later this year – the first time in over 30 years
 - Yields rose earlier in the week, with the 10-year reaching 1.82% on investor expectations for increased supply of longer-term debt
 - Treasury yields later fell as concerns over China’s virus outbreak drove investors into safe-haven assets
- Investment-grade corporate issuers priced over \$20 billion during the week; month-to-date issuance of over \$118 billion is well ahead of last year’s pace, and on track to be the second-highest January on record
 - Investor demand remained robust, and corporate spreads closed 3bps tighter, at 93bps, week-over-week
 - Corporate excess returns crossed into positive territory on strong demand and positive earnings announcements
- Residential mortgage-backed securities (RMBS) underperformed other securitized sectors; heavy expected supply, both from new mortgages and run-off from the Federal Reserve (Fed), weighed on the sector
- Municipal debt experienced unabated demand, with over \$2.6 billion of weekly fund flows; the 10-year muni/Treasury ratio closed at 73.6%, up slightly over the week, but significantly below its longer-term averages

Treasury Yield Curve



Maturity	2-year	5-year	10-year	30-year
1/22/2020	1.53	1.58	1.77	2.22
MTD Change	-0.04	-0.11	-0.15	-0.17

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.

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.