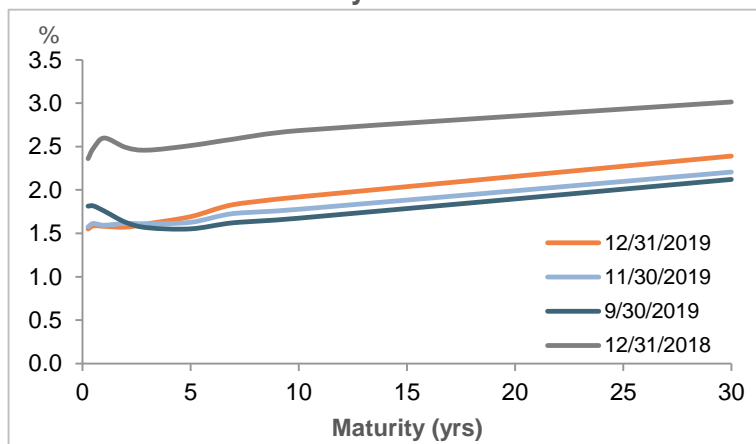


MARKET NEWS

- A rally in risk assets sent Treasury yields higher across the curve, as investor optimism was buoyed by positive economic data and encouraging progress on the long-awaited US-China trade agreement
 - Economic data released in the US was mostly positive: non-farm payrolls rose by 266,000 in November, exceeding this year’s monthly average, and consumer spending was up 0.4%, the best monthly improvement since July
 - The first phase of a trade deal between the US and China was announced, alleviating investors’ concern that a continued dispute was weighing down economic growth
 - Under the agreement, existing tariffs on Chinese goods were decreased and new tariffs set to begin in December were suspended; China agreed to increase purchases in US agriculture, manufacturing, and energy sectors
- The Treasury curve steepened month-over-month, with the 30-year rate rising 18bps to 2.39%, and the 2-year rate falling 4bps to 1.57%
- Investment-grade corporate borrowers priced almost \$19 billion in December – below expectations of \$20 to \$30 billion – and year-to-date supply totaled roughly \$1.1 trillion, a 4% decrease from 2018
 - Dealer estimates for 2020 issuance average \$1.1 trillion, unchanged from 2019
- A risk-on market tone – combined with light supply – pushed investment-grade corporate spreads 12bps tighter over the month to 93bps, the lowest level since February 2018
 - In the fourth quarter, spreads tightened 22bps and long corporate spreads tightened 30bps, closing at 136bps
- Strength in equity markets supported high-yield corporate bonds, as spreads tightened 34bps month-over-month and 190bps year-to-date, closing the year at 336bps
- Asset-backed securities (ABS) underperformed Treasuries and other securitized sectors, as the higher-quality, shorter duration sector lagged the broad market amid a risk-on tone
- Strong demand for municipals outweighed heavy supply, and the sector outperformed Treasuries over the month; the 10-year muni/Treasury ratio decreased by 11% from 88% to 77%

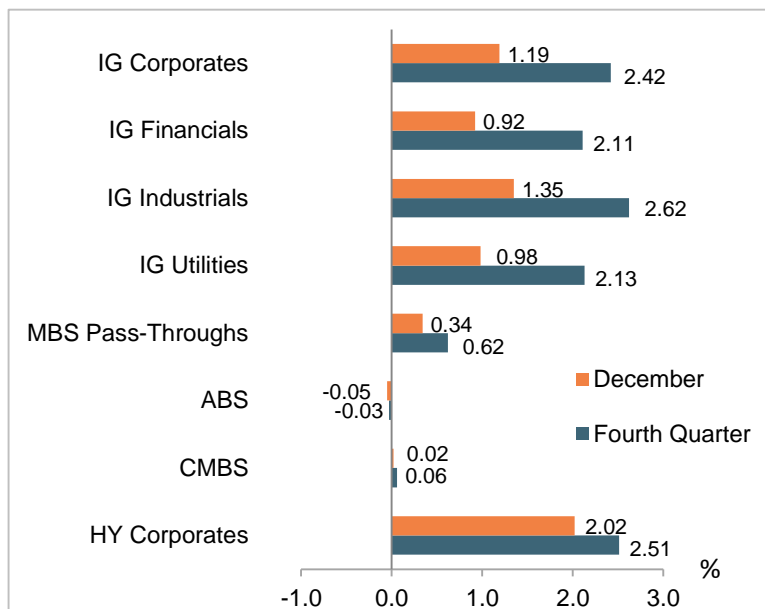
MARKET STATISTICS

Treasury Yield Curve



Maturity	2-year	5-year	10-year	30-year
12/31/2019	1.57	1.69	1.92	2.39
MTD Change	-0.04	0.06	0.14	0.18

Excess Returns*



As of: 12/31/19. Sources: Bloomberg, Bloomberg Barclays, Citigroup

*Excess returns are the curve-adjusted excess return of a given index relative to a term structure-matched position in Treasuries.

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