IR+M

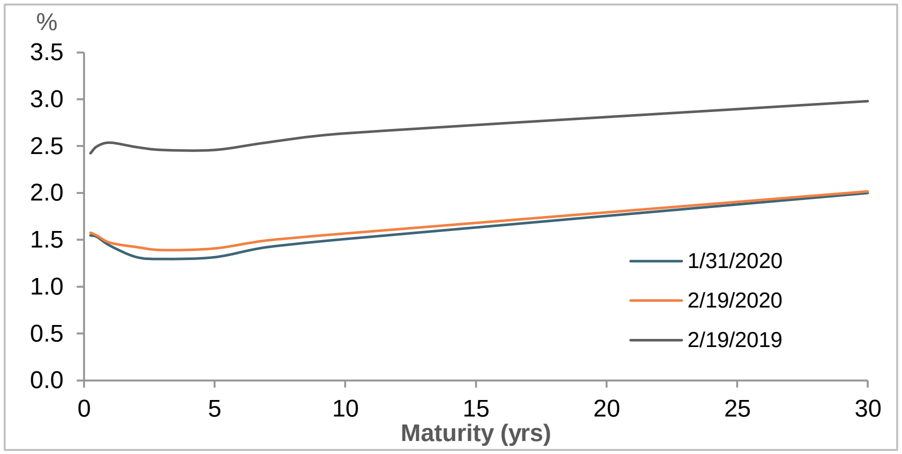
INCOME RESEARCH + MANAGEMENT

IR+M CLIENT UPDATE

February 14 – February 20, 2020

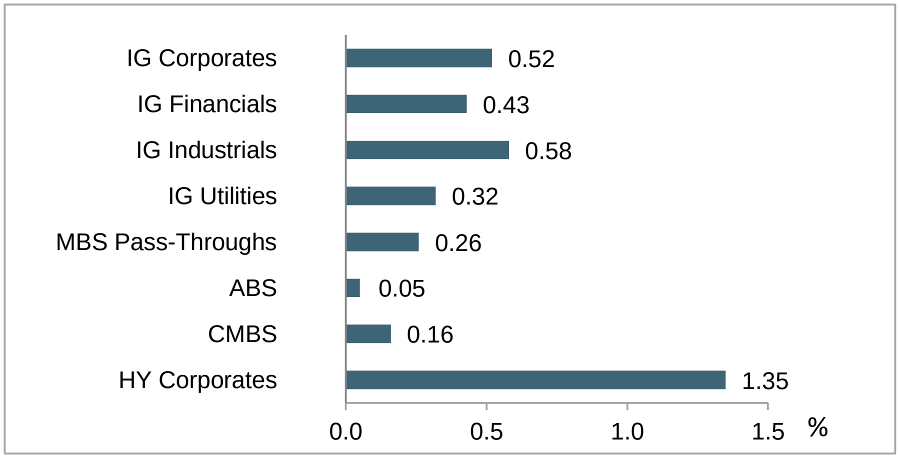
- Treasury rates fell across the curve week-over-week, as sentiment faded and investors preferred the safety of US Treasuries, despite positive economic reports
    - New housing starts for January totaled 1.57 million; although down 3.6% month-over-month, this is a rise of 21.4% from January 2019
    - The Producer Price Index (PPI) surprised to the upside and came in at 0.5% versus expectations of 0.1%
- Risk assets fluctuated between small gains and losses over the week, as investors digested conflicting reports on the economic impact of the virus outbreak in China
    - The Chinese government lowered short- and long-term lending rates and pledged assistance to businesses hurt by the epidemic, hoping to curb any long-term effects on its economy
- Investment-grade corporate issuers were busy following the holiday weekend, and priced over $36 billion, well ahead of dealer expectations of $30 billion
    - Corporate spreads widened by 1bp to 96bps on the heavy supply, but remain 3bps off the one-year tights
    - Supported by strength in oil prices – an increase of over $2 per barrel – spreads of high-yield corporates tightened by 2bps to close at 344bps
- Mortgage-backed securities (MBS) paired back month-to-date gains, as investors' concern over the potential for increased prepayments speeds weighed on the sector
- Taxable issuance in the municipal sector remained robust, at over $14 billion year-to-date – an increase of 250% from 2019's pace

Treasury Yield Curve



Maturity	2-year	5-year	10-year	30-year
2/19/2020	1.42	1.41	1.57	2.02
MTD Change	0.10	0.10	0.06	0.02

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.