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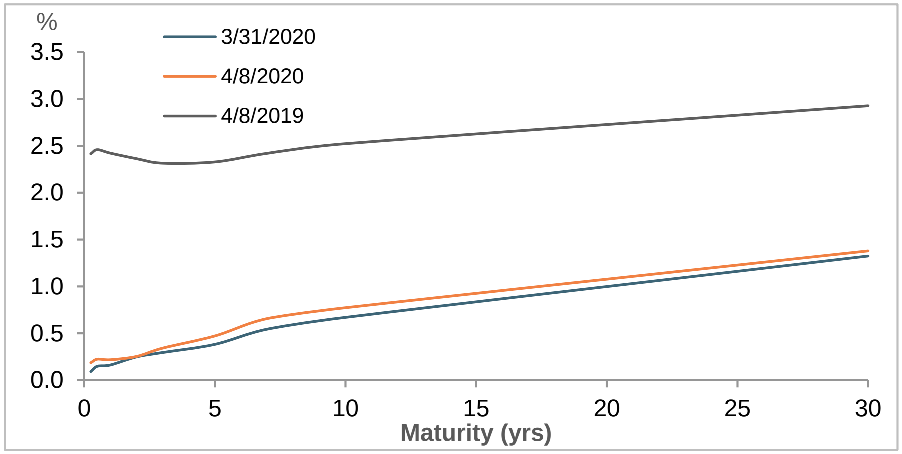
INCOME RESEARCH + MANAGEMENT

IR+M CLIENT UPDATE

April 1 – April 9, 2020

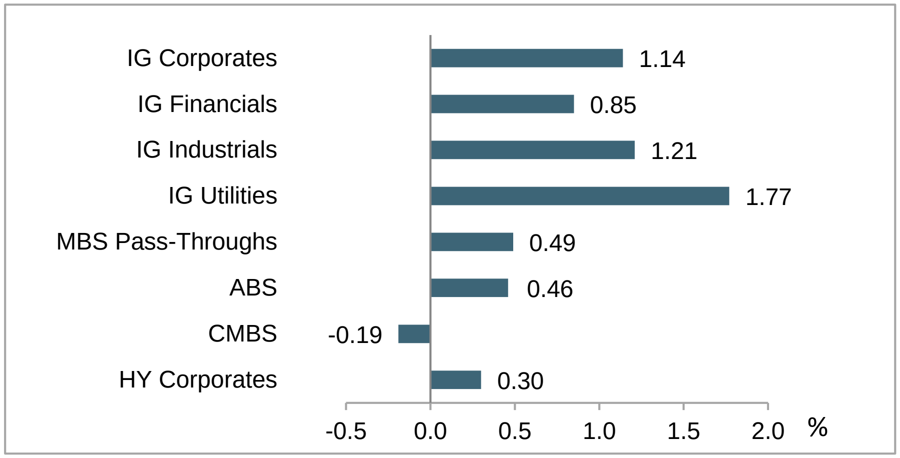
- Treasury yields rose month-to-date in response to the Federal Reserve's (Fed) measures to support the economy, as well as efforts to mitigate the impact of the coronavirus pandemic
  - The Fed released details of its much-anticipated Main Street lending program, which will provide aid to mid-size businesses left out of the $2 trillion congressional stimulus plan
  - The Fed will offer four-year loans to firms employing up to 10,000 workers and generating less than $2.5 billion in annual revenue, and defer interest and principal payments on each loan for one year
  - The 10-year Treasury yield increased10bps month-to-date, closing at 0.77% on Wednesday
- After a record month of issuance, investment-grade borrowers continued to flood the market, pricing $104 billion in the first six trading days of April, sending supply 66% higher than last year's year-to-date total
  - Demand for new issue was strong, and some issuers that were on the sidelines during March's volatility brought deals to the market
- Despite the heavy supply, investors' strong appetite for risk pushed corporate spreads 19bps tighter month-to-date, closing at 253bps
  - Stability in energy prices contributed to modest tightening in high-yield spreads, which closed at 871bps – a decrease of 71bps from the April wides
- Commercial mortgage-backed securities (CMBS) underperformed other securitized sectors, as the Fed's liquidity facilities for these assets were not yet inclusive of non-agency CMBS
- Municipals outperformed Treasuries, and the 10-year muni/Treasury retreated from record levels, closing at 179%, down by 36% this month

Treasury Yield Curve



Maturity	2-year	5-year	10-year	30-year
4/8/2020	0.25	0.47	0.77	1.38
MTD Change	0.00	0.09	0.10	0.06

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.

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