• Treasury yields rose week-over-week, as investors preference for risk assets was driven by better than expected consumer sentiment data and renewed optimism for a coronavirus vaccine
  • The University of Michigan’s Consumer Sentiment Index rose to 73.7 for the three weeks ended May 13, up from 71.8, and better than the forecast of 65.0
  • Progress in vaccination testing by two biotech firms sparked investors’ appetite for risk, and equities rallied
• The US Treasury issued $20 billion in new 20-year bonds on Wednesday, at a yield of 1.22%, in the first 20-year issuance since 1986
  • The bid-to-cover ratio – a measurement of the oversubscription – was slightly better than recent 30-year auctions, at 2.5x, signaling healthy demand for the new tenor
  • The issuance resulted in a slightly steeper yield curve, and the 30-year Treasury climbed 5bps, to close at 1.40%
• Investment-grade corporate issuers priced just over $34 billion this week, in line with dealer expectations; demand for credit was robust, and borrowers paid just 5bps in average new issue concessions
• The strong market tone caused corporate spreads to tighten 24bps week-over-week – closing at 187bps – the lowest level since March 11
• A rebound in energy prices led a comeback in Industrials, which has outperformed other corporate sectors month-to-date
• Mortgage-backed securities (MBS) underperformed other securitized sectors, as historically low mortgage rates raised investors’ concern over the potentially higher prepayment speeds
• Municipals outperformed Treasuries week-over-week, and the ten-year Muni/Treasury ratio dropped by 33 percentage points, closing at 137%, as the ratio trends back towards normalized levels

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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IR+M CLIENT UPDATE
May 15 – May 21, 2020

Treasury Yield Curve

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<th>Maturity</th>
<th>2-year</th>
<th>5-year</th>
<th>10-year</th>
<th>30-year</th>
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<td>0.68</td>
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<tr>
<td>MTD Change</td>
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<td>-0.01</td>
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MTD Excess Returns

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<th>IG Corporates</th>
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<th>IG Industrials</th>
<th>IG Utilities</th>
<th>MBS Pass-Throughs</th>
<th>ABS</th>
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<td>0.71</td>
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</table>

Maturity (yrs)