• Resumed economic activity buoyed investor optimism, setting a strong market tone, and Treasury yields continued to rise off the historic lows witnessed just a few months ago
• The Federal Reserve (Fed) reduced its Treasury buying to $20 billion this week, down from $30 billion last week, lifting some pressure off of the yield curve
  • The yield on the 30-year Treasury rose by 4bps week-over-week, to close at 1.44%
• The European Commission proposed funding €750 billion ($822 billion) in grants and loans for its nations most devastated by the coronavirus pandemic via a common European bond – the first of its kind
  • The introduction of European-backed debt, yet to be approved, could improve the effectiveness of the Central Bank’s policies, and initiated a rally in European sovereign yields
• Investment-grade corporate borrowers priced over $36 billion this week, meeting dealer expectations of $35 billion, and bringing annual issuance over $1 trillion at the fastest pace on record
  • Despite the heavy supply, demand for credit drove corporate spreads 9bps tighter, to close at 178bps
  • High-yield corporate spreads moved 48bps tighter – closing at 643bps – echoing the rally in equities
• Utilities lagged other corporate sectors month-to-date, as investors cycled out of the higher-quality sector amid the risk-on market tone
• Asset-backed securities (ABS) outperformed other securitized sectors, as supply in the sector has been relatively muted
• Muni/Treasury ratios sustained a steep decline from record levels, and the 10-year ratio fell 18% to close at 120%, as munipals outperformed Treasuries

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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