



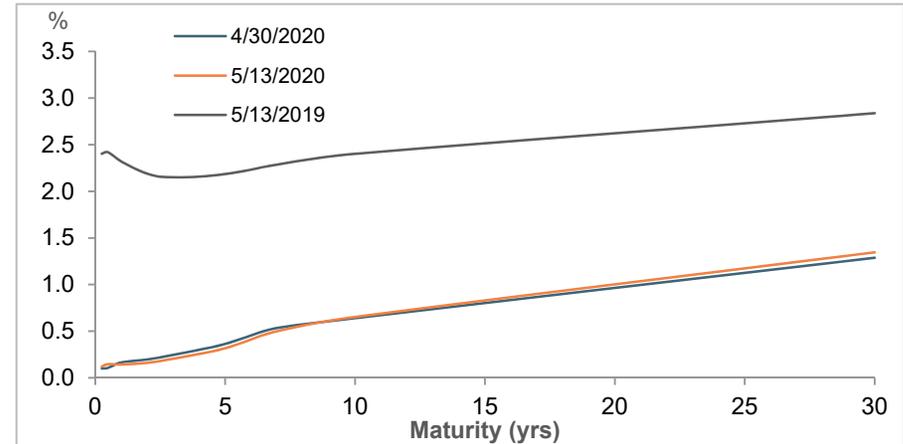
INCOME RESEARCH + MANAGEMENT

IR+M CLIENT UPDATE

May 8 – May 14, 2020

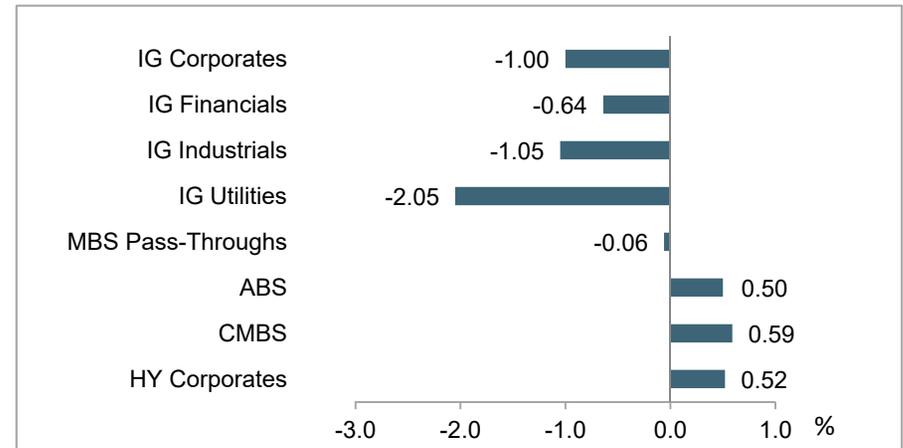
- Markets overcame grim economic data early in the week, but fading enthusiasm over the prospects of a quick reopening and recovery of the US economy dampened risk sentiment
 - The unemployment rate soared to 14.7%, the highest level since official statistics started in 1948; some estimates call for a peak rate of 25%
 - Treasury yields fell over the week, given investor demand for safe-haven assets; \$32 billion in 10-year notes was auctioned at a record low rate of 0.7%
- Federal Reserve (Fed) Chair Powell commented that additional monetary and fiscal measures may be needed to prevent greater long-term damage
 - Fed officials reiterated that the Fed does not consider negative interest rate policy an appropriate response
 - Legislation unveiled in the US House called for a further \$3 trillion of fiscal stimulus; however, support for additional relief is divided
- Corporate issuance slowed mid-week amidst the weaker market tone, but remained elevated; investment-grade issuers priced almost \$58 billion, with \$75 billion expected for the week
 - Demand was strong and new issue concessions generally trended lower; despite continued supply, corporate spreads widened 1bps, week-over-week, to close at 211bps
 - High yield spreads, which initially fell during the week, widened on market weakness before closing unchanged at 735bps
- In mortgage-backed securities (MBS), lower coupon securities outperformed higher coupons, as the Fed bought mortgages with 2% coupons for the first time
- Municipal debt saw positive demand, as weekly fund flows increased to \$230 million, up from \$1.6 billion in outflows the prior week

Treasury Yield Curve



Maturity	2-year	5-year	10-year	30-year
05/13/2020	0.16	0.32	0.65	1.35
MTD Change	-0.03	-0.03	0.03	0.08

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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