



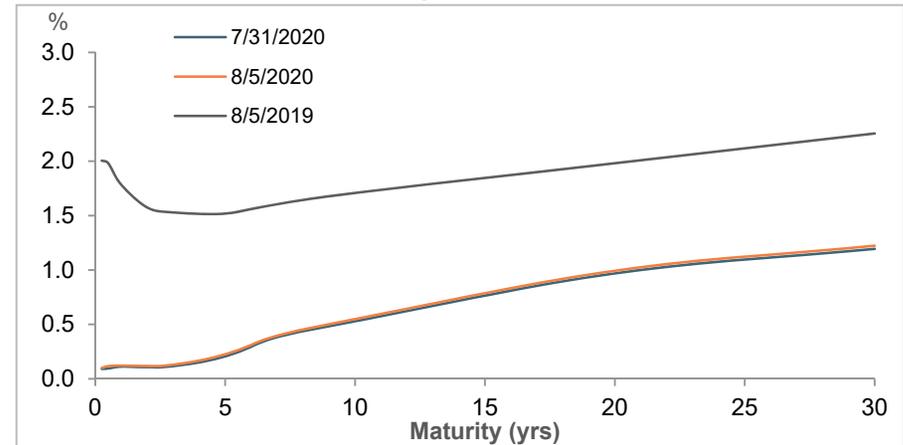
INCOME RESEARCH + MANAGEMENT

IR+M CLIENT UPDATE

August 1 – August 6, 2020

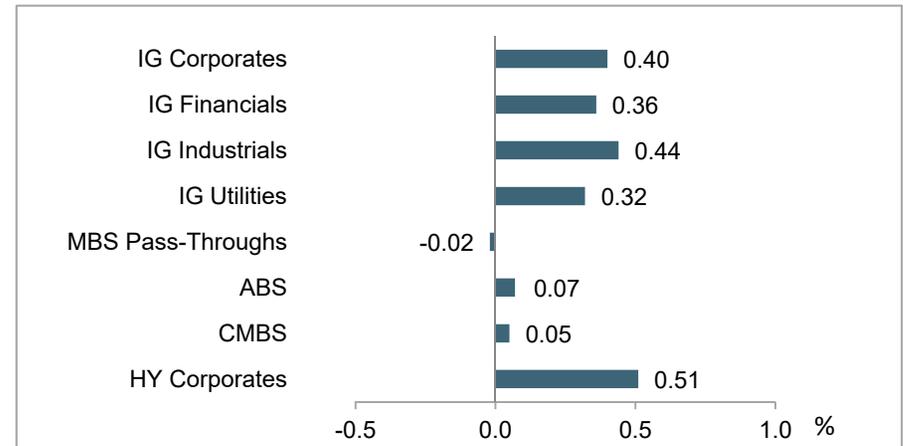
- Positive economic indicators outweighed concerns over the congressional stalemate on additional fiscal stimulus; equity and bond markets continued to approach their pre-COVID levels
 - Initial jobless claims fell more than expected to 1.2 million after rising for two straight weeks, and continuing jobless claims dropped to 16.1 million from almost 17.0 million the week prior
 - The Markit Manufacturing and Service PMIs crossed into expansion territory for the first time since February at 50.9 and 50.0, respectively, signaling a stabilization in business activity
- The US Treasury announced a record \$112 billion debt sale at next week's quarterly refunding, and also raised the quarterly borrowing estimate from \$677 billion to \$947 billion
 - Issuance will focus on longer-dated maturities, with significant increases in the auction sizes of 10+ year bonds
 - Treasury yields rose on the announcement, although many maturities remain at or near historic lows
- Investment-grade corporate issuers priced over \$30 billion in a busy start to August; Alphabet priced a \$10 billion deal with a 10-year coupon at 1.10%, breaking the jumbo low coupon record of 1.50%
 - Heavy supply was well-absorbed, and corporate spreads tightened 5bps, week-over-week, to 128bps
- High yield supply topped \$15 billion, the fastest weekly pace since mid-June; despite the issuance, high yield spreads fell 19bps, week-over-week, to 472bps
- Despite over \$6 billion in new issue asset-backed securities (ABS), the sector outperformed other securitized sectors, as supply is down 22% year-over-year
- Municipals outperformed Treasuries, as strong demand drove the 10-year muni/Treasury ratio down 12% to 108%

Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
8/5/2020	0.12	0.22	0.55	0.99	1.22
MTD Change	0.01	0.02	0.02	0.02	0.03

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.

The views contained in this report are those of IR+M and are based on information obtained by IR+M from sources that are believed to be reliable. This report is for informational purposes only and is not intended to provide specific advice, recommendations, or projected returns for any particular IR+M product. No part of this material may be reproduced in any form, or referred to in any other publication, without express written permission from Income Research & Management. BLOOMBERG® is a trademark and service mark of Bloomberg Finance L.P. and its affiliates (collectively "Bloomberg"). BARCLAYS® is a trademark and service mark of Barclays Bank Plc (collectively with its affiliates, "Barclays"), used under license. Bloomberg or Bloomberg's licensors, including Barclays, own all proprietary rights in the Bloomberg Barclays Indices. Neither Bloomberg nor Barclays approves or endorses this material, or guarantees the accuracy or completeness of any information herein, or makes any warranty, express or implied, as to the results to be obtained therefrom and, to the maximum extent allowed by law, neither shall have any liability or responsibility for injury or damages arising in connection therewith.