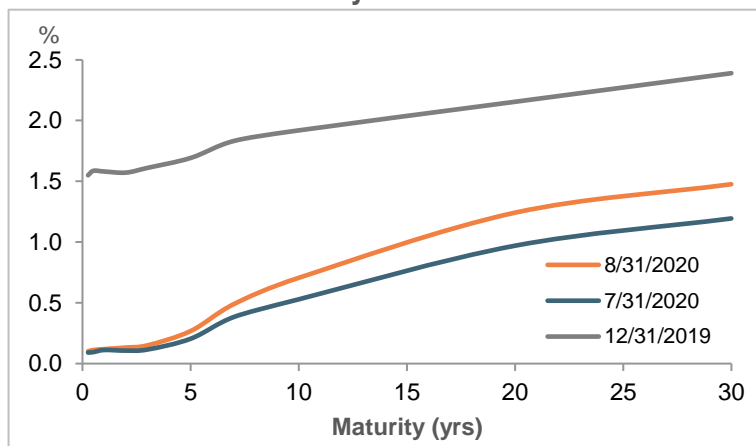


**MARKET NEWS**

- Fixed income markets experienced mixed performance in August, as higher-quality corporates underperformed Treasuries, while momentum continued for equity markets with the S&P 500 Index rising 7% and reaching new all-time highs
- Federal Reserve (Fed) Chair Jerome Powell announced that the Fed will allow inflation to moderately surpass its 2% target following extended periods of sub-2% inflation
  - Core PCE, the Fed's preferred inflation measure, remains below target at 1.25%, but increased from 1.07% in June
  - The 10-year breakeven inflation rate increased by 0.24% month-over-month, from 1.56% to 1.80%, matching year-to-date highs, and TIPS outperformed nominal Treasuries; in March, this rate fell to as low as 0.55%
- Treasury yields rose across the curve, and the curve steepened, as long-term rates continued to rise in expectation of higher future inflation; the difference between the 30-year and 10-year Treasury yield rose from 0.66% to 0.77%
- Both investment-grade and high-yield borrowers were active in August, ignoring predictions for a summer doldrum and issuing record amounts of supply amid a continuation of supportive technicals
  - High-yield issuance totaled roughly \$53 billion, the second highest monthly total of all-time, and investment-grade primary markets surpassed \$136 billion in August, more than doubling initial estimates of \$50-60 billion
- Investment-grade corporate spreads were range-bound, tightening or widening by no more than 3bps day-over-day, and remained within a 9bp range; spreads closed the month 4bps tighter, from 133bps to 129bps, and Utilities underperformed as California wildfires regained headlines
  - High-yield spreads tightened by 11bps from 488bps to 477bps, and stayed within a 32bps range
- Commercial mortgage-backed securities (CMBS) outperformed Treasuries and investment-grade corporates, as private-label CMBS issuance trended almost 33% below last year's pace, providing a tailwind for the sector
- Year-to-date taxable municipal supply totaled \$84 billion, more than tripling the roughly \$25 billion issued by this time last year, and eclipsing last year's total of \$69 billion

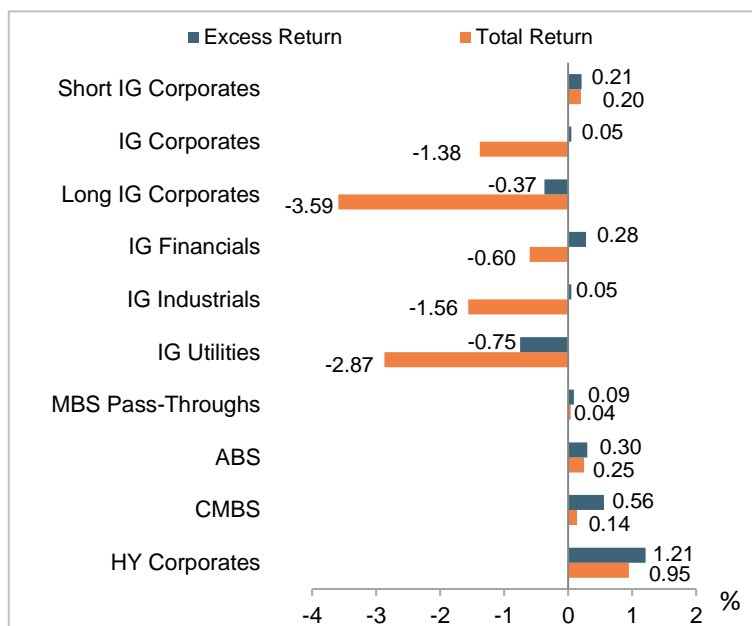
**MARKET STATISTICS**

Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
8/31/2020	0.13	0.27	0.71	1.24	1.48
MTD Change	0.02	0.06	0.18	0.27	0.28
YTD Change	-1.44	-1.42	-1.21	-	-0.91

MTD Returns



As of: 8/31/20. Sources: Bloomberg, Bloomberg Barclays.

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.