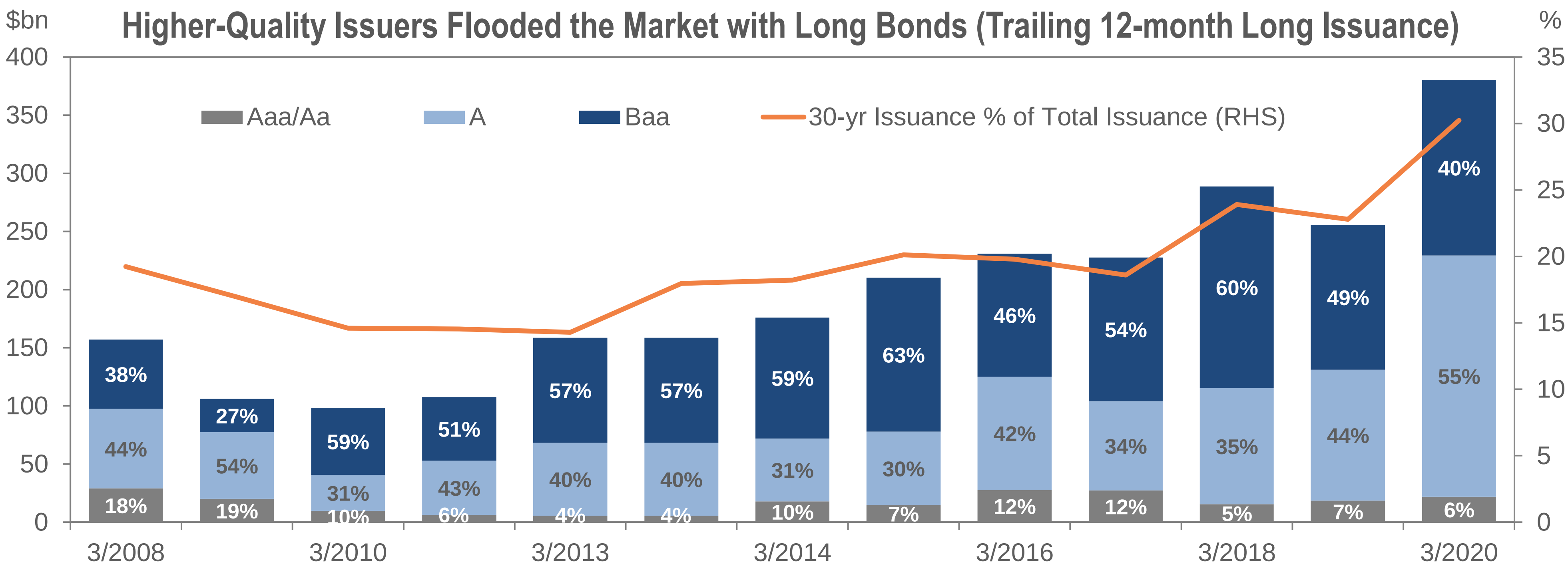
INCOME RESEARCH + MANAGEMENT

April 24, 2020



- The primary market was flooded with long-dated supply in March. Looking to shore-up liquidity in the face of a global recession, investment-grade issuers were forced out long as commercial paper markets were distressed and credit curves were inverted.
- As in 2008-09 and 2016, issuance was concentrated in high-quality, well-sponsored issuers. Investors and dealers were unwilling to take on lower-quality debt in those volatile markets.
- Elevated new issue concessions and wide-spreads enticed buyers, and all-in yields were relatively attractive for borrowers given Treasury yields were near record lows.
- This is encouraging for corporate defined benefit plans concerned there are not enough long bonds, should plans begin to de-risk.