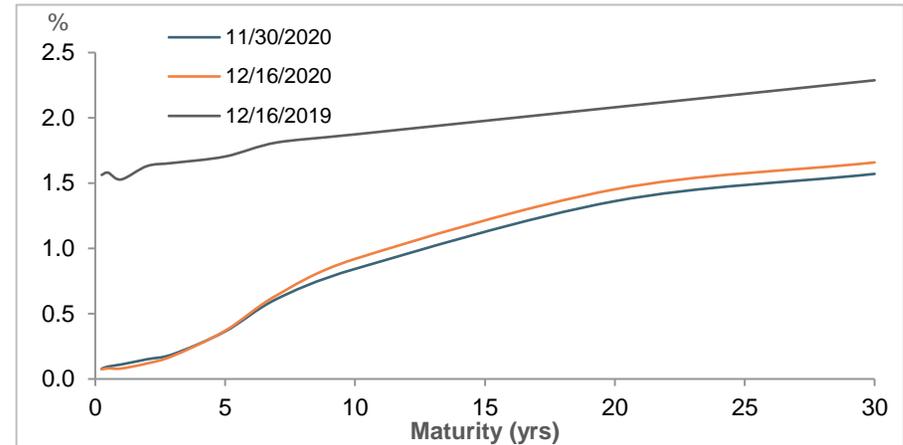




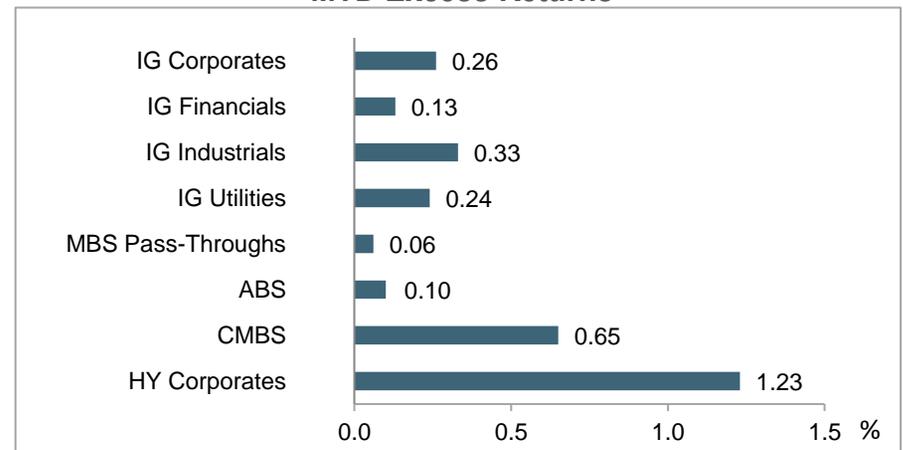
- Despite concerns over increasing coronavirus cases and lockdowns, markets continued their ascent as vaccinations began in the US and Congress closed in on a long-awaited stimulus deal
 - November retail sales were weaker than expected, settling at -1.1%, the second consecutive monthly drop as October was revised down to -0.1%
- The Federal Reserve (Fed) pledged to continue its asset purchases “until substantial further progress has been made” toward its broader employment and inflation goals
 - According to the Federal Open Market Committee (FOMC) meeting minutes, Fed officials upgraded their economic projections, but maintained predictions that interest rates would remain close to zero until at least the end of 2023
 - With long-term rates “already very low,” Fed Chairman Jerome Powell indicated that it is unlikely that the Fed will purchase longer-term Treasuries
- The pace of investment-grade supply slowed to a trickle ahead of the holidays, with only \$1.7 billion pricing this week
 - Demand remained robust, and corporate spreads tightened 2bps, from 104bps to 102bps
- High-yield issuers rushed to price over \$8 billion ahead of next week’s slowdown; to date, supply for the month has exceeded \$27 billion, the busiest December since 2006
 - Despite the heavy supply, spreads were largely unchanged, widening 1bp from 378bps to 379bps
- Mortgage-backed securities (MBS) underperformed other securitized sectors; the MBA Mortgage Applications Index increased week-over-week by 1.1%, led by a 2% rebound in the Purchases Index
- Inflows continued into municipal bond mutual funds, with investors adding approximately \$1.9 billion in the week ending December 9th

Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
12/16/2020	0.12	0.37	0.92	1.45	1.66
MTD Change	-0.03	-0.01	0.08	0.09	0.09

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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