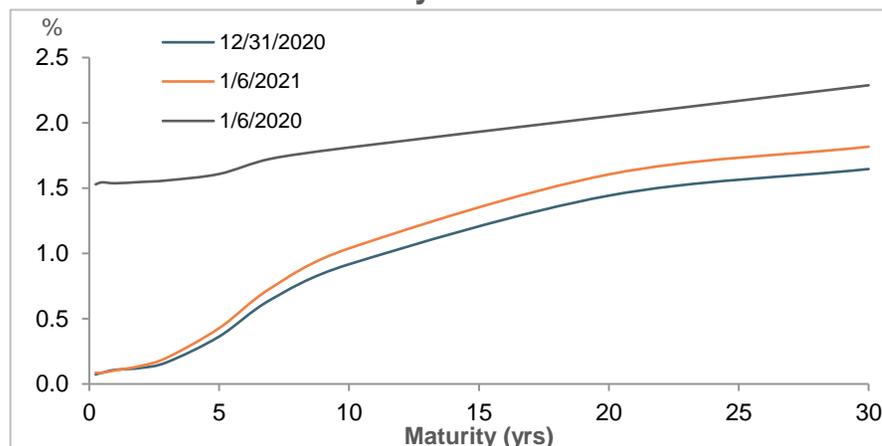




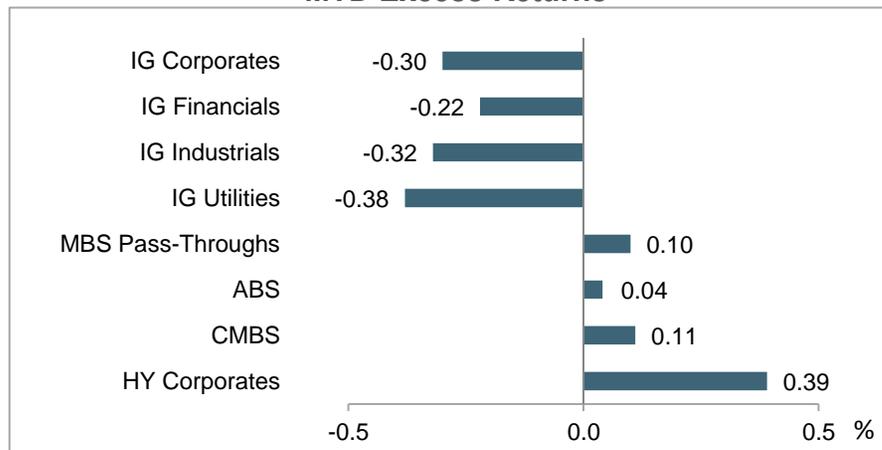
- Markets moved higher on the prospects of additional stimulus following Georgia’s Senate election outcome, overcoming the turmoil on Capitol Hill and the growing impact of the coronavirus’ resurgence
 - Labor market data reflected the impact of renewed business restrictions in response to a surge of infections, as initial jobless claims remained elevated at 787,000; December ADP employment data showed a contraction of 123,000 jobs, the first negative growth since April 2020
 - ISM Manufacturing data for December registered at 60.7, beating expectations and expanding at the quickest rate since August 2018
- Following news that Democrats would gain control of the Senate after winning both seats in Georgia, the 10-year Treasury pushed above 1% for the first time since March 2020, closing at 1.04% on Wednesday
- Investment-grade issuers priced close to \$50 billion, surpassing estimates of \$45 billion and nearly half of the \$115 billion projected for January
 - Corporate spreads widened 2bps, from 96bps to 98bps, amid the heavy supply
- High-yield issuers were slow to return to the primary market, pricing approximately \$5.3 billion as supply for the week was dominated by energy companies
 - Following the equity rally, high-yield spreads tightened 8bps, from 360bps to 352bps, and the yield on the Bloomberg Barclays High Yield index fell to a record low of 4.16%
- Mortgage-backed securities (MBS) performance was aided by a -4.2% drop in the MBA Mortgage Applications Index, driven by the Refinance Index, which fell -6.0% week-over-week
- With limited supply to start the year, municipals outperformed Treasuries, and the 10-year muni/Treasury ratio fell from 75% to 67%, the lowest level in at least 20 years
 - Investors added approximately \$3 billion to municipal bond mutual funds in the week ended December 30th

Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
1/6/2021	0.14	0.43	1.04	1.60	1.82
MTD Change	0.02	0.07	0.12	0.16	0.17

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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