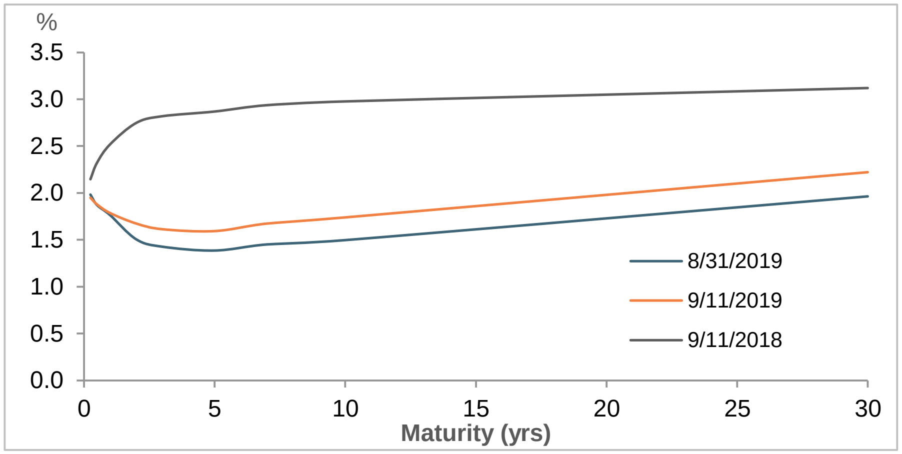
IR+M
INCOME RESEARCH + MANAGEMENT

IR+M CLIENT UPDATE

September 6 – September 12, 2019

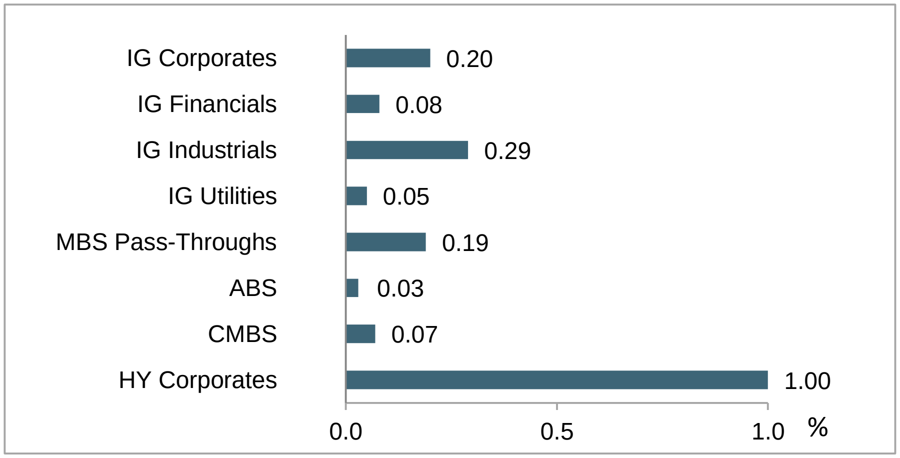
- Bond yields climbed gradually throughout the week as an increase of issuance met a risk-on market tone and investors' confidence in economic conditions was buoyed by fresh monetary stimulus
  - In its first move since 2016, the European Central Bank (ECB) announced a 10bps rate cut – further into negative territory – and will restart its bond-buying program
  - In the US, August's job report showed a larger-than-expected increase in hourly earnings, 3.2% year-over-year, and both the consumer- and producer-price indexes rose during the month
- The Treasury Department auctioned $38 billion of 3-year and $24 billion of 10-year notes into an already crowded primary issuance market
  - The Treasury issuance was compounded by a demand for risk assets, and yields rose across the curve; the 10-year rate closed at 1.74%, higher by 24bps month-to-date
- Investment-grade corporate issuers priced over $35 billion this week, well ahead of dealer expectations of $25 to $30 billion
  - Corporate spreads tightened by 4bps week-over-week, despite the heavy supply, and closed at 118bps
- Excess returns turned positive for corporate sectors amid the risk-on market tone, and high-yield corporate bonds outperformed Treasuries month-to-date on the heels of rising equity prices
- Mortgage-backed securities (MBS) outperformed other securitized sectors, as the 30-year Treasury rate rebounded from record lows, and tempered investors' fears of higher prepayment speeds
- Municipals outperformed Treasuries, and the 10-year muni/Treasury ratio decreased by over 4% to close at 81.8%

Treasury Yield Curve



Maturity	2-year	5-year	10-year	30-year
9/11/2019	1.68	1.59	1.74	2.22
MTD Change	0.17	0.20	0.24	0.26

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.