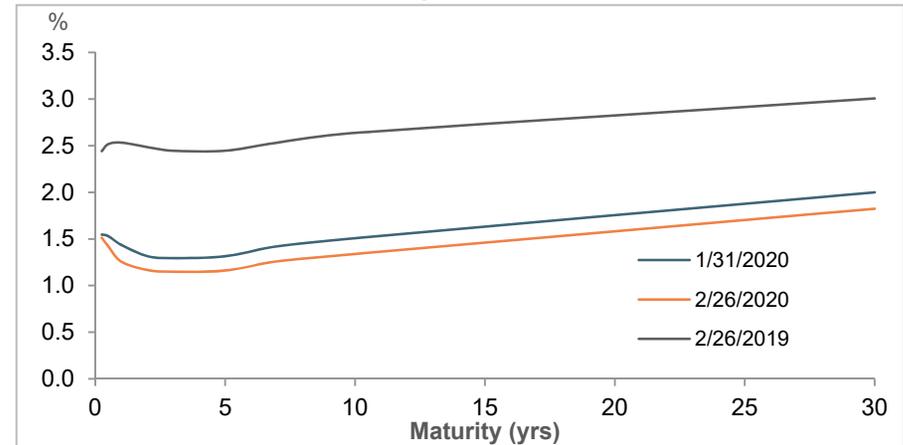




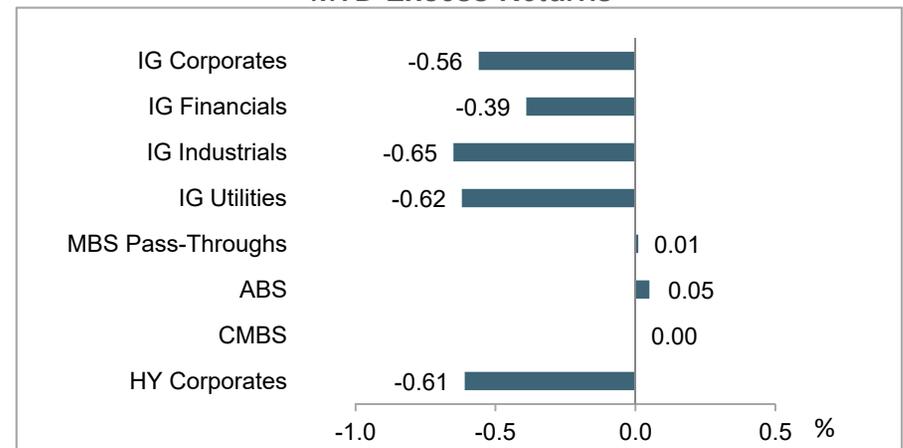
- Treasury yields fell across the curve during the week, as concerns around the coronavirus and its potential impact on global economic growth led investors to shed risk assets in favor of Treasuries and other safe-havens
  - Both US and European equity markets fell into correction territory in response, with the S&P 500 and Stoxx 600 indices down 10% from their previous highs
  - The 10-year Treasury set a record low of 1.31% before recovering slightly, while the 30-year Treasury yield continued to break record lows throughout the week and closed at 1.82%
- The Federal Reserve (Fed) commented that while they are monitoring the impacts of the coronavirus outbreak, it is too soon to say whether this will result in a material change to their economic outlook
  - The market-implied probability of a rate cut at the Fed's meeting in March increased from 5% to over 65%, and the total number of expected rate cuts by the end of the year rose from 2 to 3
- Investment-grade corporate new issuance ground to a halt, with no bonds priced despite initial expectations of \$25 billion
  - Virus concerns outweighed the lack of supply, and corporate spreads widened by 11bps week-over-week, closing at 108bps
  - High yield corporate spreads increased significantly in tandem with equity market weakness, closing 76bps higher at 425bps
- Mortgage-backed securities (MBS) underperformed other securitized sectors; fears of higher prepayments increased, as the average rate for a 30-year mortgage dropped to its lowest level since 2016
- Strong demand for municipal bonds pushed yields on 30-year tax-exempt bonds from 1.77% to 1.59%, a 38-year low; the yield on the Bloomberg Barclays Muni High Yield Index fell from 3.58% to 3.44%, a 24-year low

Treasury Yield Curve



Maturity	2-year	5-year	10-year	30-year
2/26/2020	1.17	1.16	1.34	1.82
MTD Change	-0.15	-0.15	-0.17	-0.18

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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