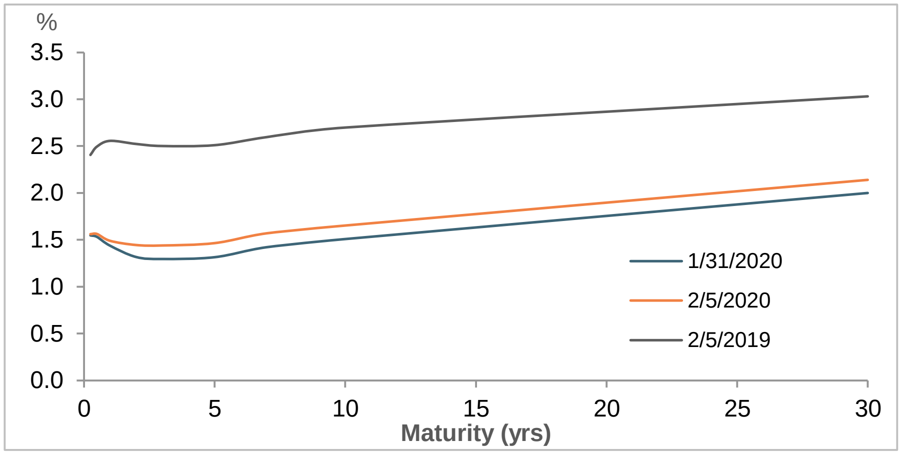
IR+M CLIENT UPDATE

February 1 – February 6, 2020

INCOME RESEARCH + MANAGEMENT

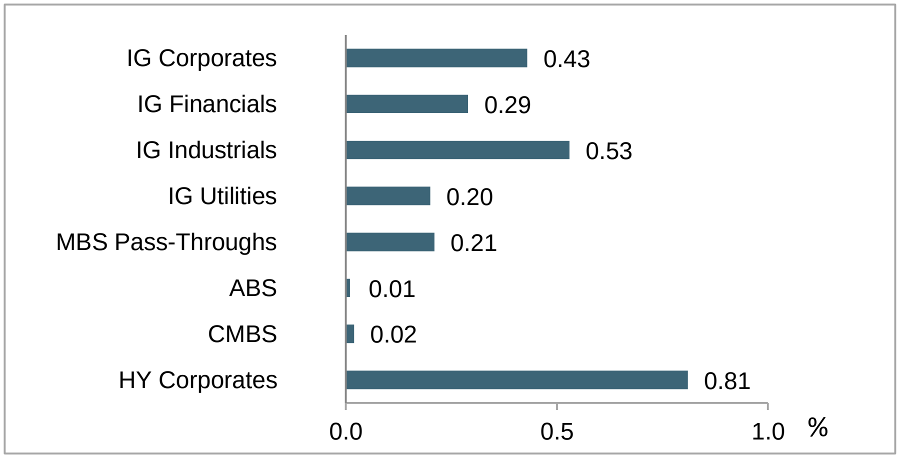
- Risk assets rallied over the week, as global precautions to combat the Coronavirus outbreak and the US Senate acquittal of President Trump eased the uncertainty that rattled markets in late January
    - After an intraday dip below 2.00% for the first time since August 2019, the yield on the 30-year Treasury rose modestly and closed at 2.14%
    - Both the S&P 500 and Nasdaq Composite closed at a record high, as investors applauded quarterly earnings
- The Treasury Department announced its plan to issue 20-year bonds each quarter, beginning in May with a $10 to $13 billion auction
- The Federal Reserve continued to offer liquidity to US banks in the form of overnight and 14-day repurchase (repo) agreements
    - The two-week contracts were almost two-times oversubscribed Thursday; however, the outstanding amount of repo agreements has decreased considerably from the recent high of $256 billion in January, and stands at $170 billion
- Supply of investment-grade corporate bonds this week totaled over $21 billion, exceeding dealers' expectations of $15 to $20 billion
    - Healthy supply was met by the appetite for risk, and corporate spreads tightened by 5bps month-to-date, closing at 97bps
    - High-yield corporates also performed well, on the heels of the strong equity market, and closed 30bps tighter at 360bps
- Mortgage-backed securities (MBS) outperformed other securitized sectors, as rising rates alleviated investors' concern over faster prepayment speeds
- Municipals outperformed Treasuries, and the 10-year muni/Treasury ratio fell by over 3%, and closed at 75%

Treasury Yield Curve



Maturity	2-year	5-year	10-year	30-year
2/5/2020	1.44	1.46	1.65	2.14
MTD Change	0.12	0.15	0.14	0.14

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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