IR+M

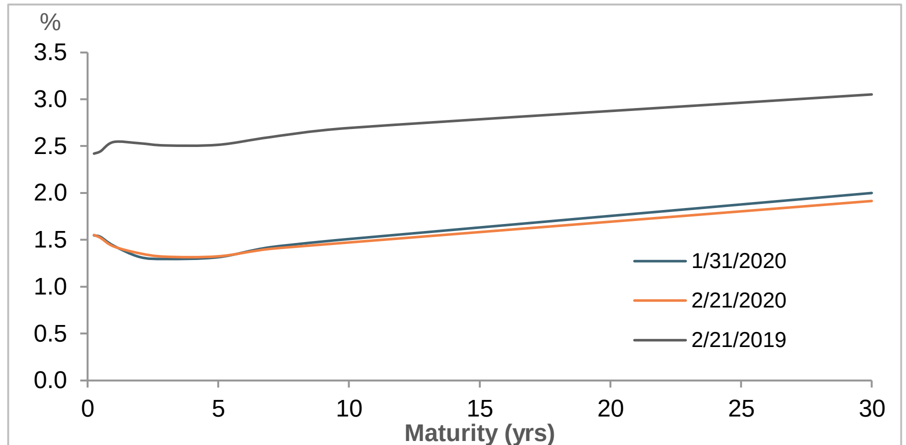
INCOME RESEARCH + MANAGEMENT

IR+M SPECIAL MARKET UPDATE

February 24, 2020

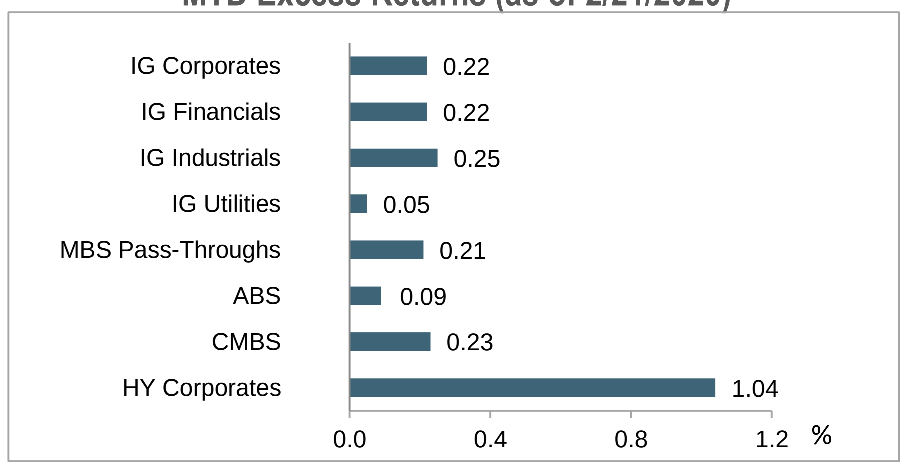
- The World Health Organization reported today that there have been almost 77,400 cases of the coronavirus worldwide and over 2,600 deaths, but commented that it does not yet consider the virus to be a pandemic
    - Although the number of newly reported cases in China has declined, there are roughly 2,070 cases elsewhere across 28 countries
    - With the third largest outbreak behind China and South Korea, Italy has over 50,000 people under quarantine and reported six deaths
- Risk assets are sharply weaker today, amid concerns over the containment of the coronavirus and the potential impact on global supply chains
    - Domestic equity markets are down 3%, the price of oil is near $51 a barrel, and gold is up almost 1% to $1,650 per ounce*
- A strong flight-to-quality move in markets pushed Treasury yields across the curve near the lowest levels on record
    - The 30-year Treasury rate closed below 2% on Friday, before reaching a record low of 1.81% on Monday morning; the 10-year Treasury yield fell to 1.37%, near the record lows set in 2016*
    - The difference between the 10-year Treasury Note and the 3-month Treasury Bill fell to -13bps*
- Expectations were for $25 billion of investment grade issuance this week; however, issuers remained sidelined on Monday given the increased volatility
    - Spreads are generally 10-15bps wider today, with sectors such as Autos and Energy slightly wider due to higher exposure to affected industries*
    - However, trade volume remains low with little price discovery, potentially concealing the full spread impact
- Volatility is limited within securitized sectors, as a heavily attended industry conference caused issuers to wait to price new deals until later in the week
- Taxable and tax-exempt municipals remain resilient and are outperforming corporate alternatives, but taxable spreads are slightly wider day-over-day*
- Given our current cautious risk posture across strategies and ample dry powder, we believe portfolios are well equipped to take advantage of continued weakness

Treasury Yield Curve



Maturity	2-year	5-year	10-year	30-year
2/21/2020	1.36	1.32	1.47	1.92
*2/24/2020**	1.26	1.21	1.37	1.83
Change	-0.10	-0.11	-0.10	-0.09

MTD Excess Returns (as of 2/21/2020)



Sources: Bloomberg Barclays, Bloomberg, IR+M Analytics and Bloomberg Index Services Limited.

*Data as of 2/24/20 is intraday as of 3:00pm. Information may differ from analytics as of the close of 2/24/20. Excess returns are the curve-adjusted excess return of a given index relative to a term-structure matched position in Treasuries.