

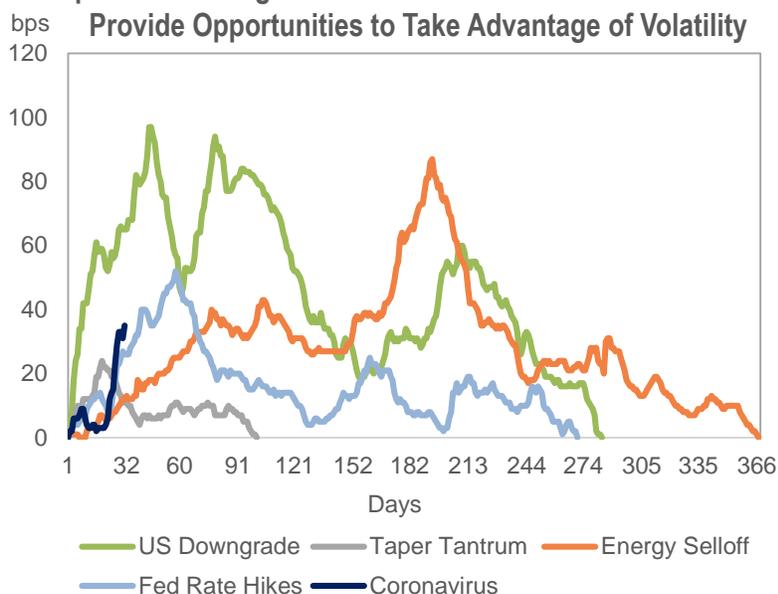
MARKET NEWS

- Markets are again pressured today, with stocks and oil prices falling due to fears the coronavirus will cause a global economic slowdown. Investors continue to flock to safe-haven assets -- the 10-year Treasury yield fell to a new low earlier today of 0.66%.
- The February employment report -- released this morning -- reflects that the US economy was in good shape before the advent of the coronavirus.

TRADING DESK OBSERVATIONS

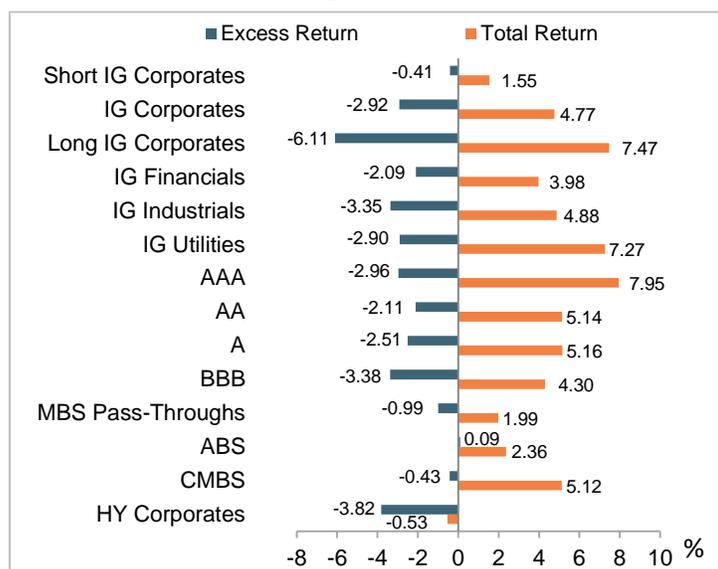
- Execution costs have increased significantly over the week due to the substantial impact of volatility on price discovery.
- Corporates: Liquidity premiums are on the rise, and in the infrequent instances of off-the-run selling, the basis between high and low coupons is growing. Bid/ask spread has doubled for higher quality issuers (from 2-3bps to 5-7bps) -- and tripled for lower quality issuers (from 5bps to 15-20bps).
- Securitized: Bid/ask spreads on traditional high quality assets have changed very little (from 3bps to 5bps). For more esoteric securities, the bid/ask spread has widened by 10bps to 20bps. Bid/ask spreads for aircraft ABS is 50-60bps, but have seen only offers thus far.
- Municipals: Liquidity changes are difficult to perceive given the lack of pricing transparency. Observed bid/ask spreads have increased to about 10bps from an estimated 5bps two weeks ago.

Spread Widening Events Tend to Last Several Months and Provide Opportunities to Take Advantage of Volatility



	Start Date	End Date	Trading Days	Peak (bps)	Max Widening (bps)
US Downgrade	8/3/11	9/19/12	284	252	97
Taper Tantrum	5/30/13	10/22/13	101	155	24
Energy Selloff	5/6/15	10/20/16	367	215	87
Fed Rate Hikes	10/5/18	11/7/19	272	157	52
Average			256	195	65
Coronavirus	1/22/20	Present	31	128	35

YTD Returns*



YTD Spread Changes – Currently At or Near Widens

	12/31/2019 (bps)	3/6/2020 (bps)	YTD Change (bps)
IG Corporate	93	128	+35
Financials	99	115	+16
Industrials	80	136	+56
Utilities	97	122	+25
AAA	52	76	+24
AA	48	77	+29
A	70	100	+30
BBB	120	160	+40
Securitized	42	65	+23
MBS	39	64	+25
ABS	44	46	+2
CMBS	72	83	+11
HY Corporate	336	494	+158

As of: 3/6/20. Sources: Bloomberg, Bloomberg Barclays. Periods shown are representative of major spread widening events over the last 9 years. Chart shows spread widening in bps from the start of the corresponding widening event. Days are in trading days. *Excess returns are the curve-adjusted excess return of a given index relative to a term structure-matched position in Treasuries. The views contained in this report are those of IR+M and are based on information obtained by IR+M from sources that are believed to be reliable. This report is for informational purposes only and is not intended to provide specific advice, recommendations, or projected returns for any particular IR+M product. No part of this material may be reproduced in any form, or referred to in any other publication, without express written permission from Income Research + Management. BLOOMBERG® is a trademark and service mark of Bloomberg Finance L.P. and its affiliates (collectively "Bloomberg"). BARCLAYS® is a trademark and service mark of Barclays Bank Plc (collectively with its affiliates, "Barclays"), used under license. Bloomberg or Bloomberg's licensors, including Barclays, own all proprietary rights in the Bloomberg Barclays Indices. Neither Bloomberg nor Barclays approves or endorses this material, or guarantees the accuracy or completeness of any information herein, or makes any warranty, express or implied, as to the results to be obtained therefrom and, to the maximum extent allowed by law, neither shall have any liability or responsibility for injury or damages arising in connection therewith.