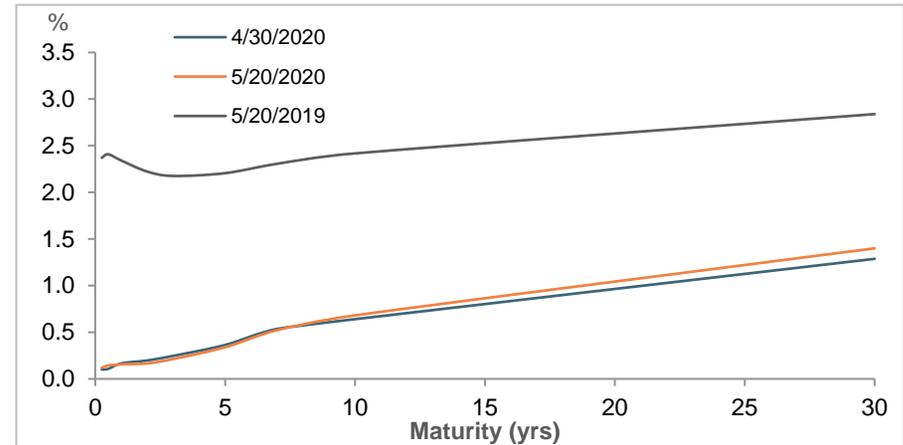




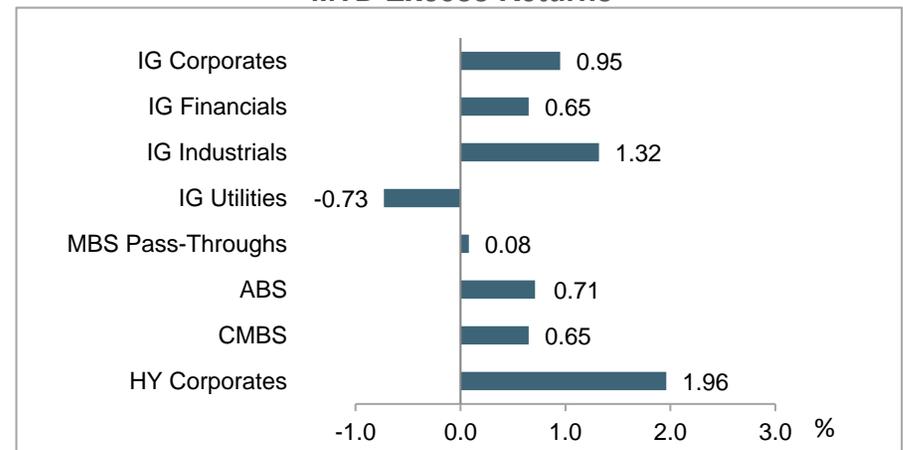
- Treasury yields rose week-over-week, as investors preference for risk assets was driven by better than expected consumer sentiment data and renewed optimism for a coronavirus vaccine
 - The University of Michigan's Consumer Sentiment Index rose to 73.7 for the three weeks ended May 13, up from 71.8, and better than the forecast of 65.0
 - Progress in vaccination testing by two biotech firms sparked investors' appetite for risk, and equities rallied
- The US Treasury issued \$20 billion in new 20-year bonds on Wednesday, at a yield of 1.22%, in the first 20-year issuance since 1986
 - The bid-to-cover ratio – a measurement of the oversubscription – was slightly better than recent 30-year auctions, at 2.5x, signaling healthy demand for the new tenor
 - The issuance resulted in a slightly steeper yield curve, and the 30-year Treasury climbed 5bps, to close at 1.40%
- Investment-grade corporate issuers priced just over \$34 billion this week, in line with dealer expectations; demand for credit was robust, and borrowers paid just 5bps in average new issue concessions
- The strong market tone caused corporate spreads to tighten 24bps week-over-week – closing at 187bps – the lowest level since March 11
- A rebound in energy prices led a comeback in Industrials, which has outperformed other corporate sectors month-to-date
- Mortgage-backed securities (MBS) underperformed other securitized sectors, as historically low mortgage rates raised investors' concern over the potentially higher prepayment speeds
- Municipals outperformed Treasuries week-over-week, and the ten-year Muni/Treasury ratio dropped by 33 percentage points, closing at 137%, as the ratio trends back towards normalized levels

Treasury Yield Curve



Maturity	2-year	5-year	10-year	30-year
05/20/2020	0.17	0.34	0.68	1.40
MTD Change	-0.02	-0.01	0.06	0.13

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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