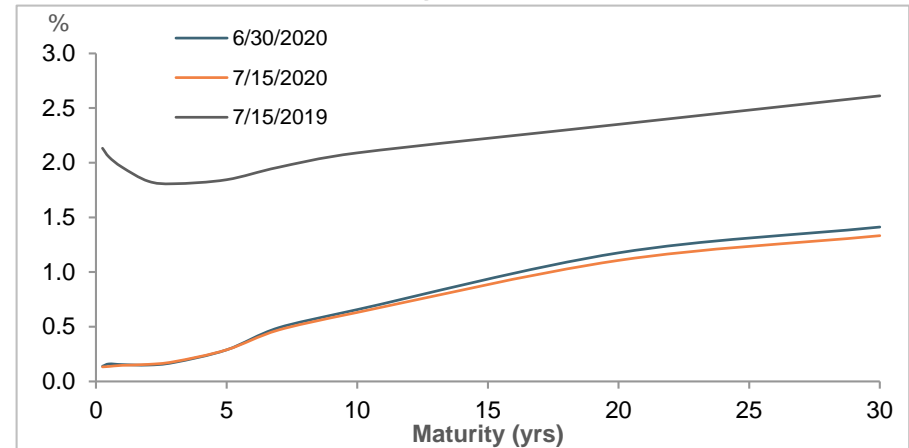




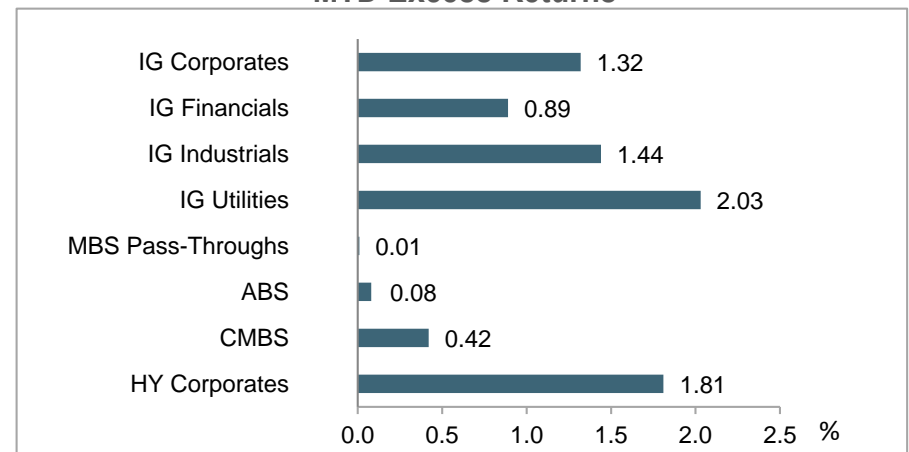
- Despite positive developments for a coronavirus vaccine setting a strong market tone for risk assets, Treasury yields were lower week-over-week, as investors piled into the safe-haven bonds
 - Details released on the first human study of a coronavirus vaccine lifted investors' spirits, sustaining the rally in stocks
 - Conversely, Treasury yields declined – signaling uncertainty – before reversing slightly on the positive vaccine developments; the yield on the 30-year Treasury fell by 7bps, closing at 1.33%
- The Federal Reserve's (Fed) Beige Book for July 15th noted that economic activity had increased, led by an uptick in consumer spending – namely in vehicle sales, food and beverage, and home improvement
 - The Fed's release reiterated the difficulty for businesses to retain, or rehire, their staff, as safety standards and access to childcare remain top concerns for workers
- Corporate borrowers priced just shy of \$12 billion of investment-grade debt, lower than dealers' expectations of \$15 to \$20 billion, and on pace to become the slowest week in over four months
 - Light supply, combined with the risk-on market tone, drove corporate spreads tighter by 4bps week-over-week, to close at 138bps
 - Echoing the strength in equities, high-yield corporate spreads tightened by 26bps – closing at 563bps
- In spite of the Fed purchasing mortgage-backed securities (MBS) to the tune of \$20+ billion per week, elevated MBS origination due to refinancing activity weighed on spreads, leading to underperformance against other securitized sectors
- Municipals outperformed Treasuries over the week, as fund inflows drove muni yields lower, and the 10-year muni/Treasury ratio fell by 5%, closing at 123%

Treasury Yield Curve



| Maturity | 2-year | 5-year | 10-year | 20-year | 30-year |
|------------|--------|--------|---------|---------|---------|
| 7/15/2020 | 0.16 | 0.29 | 0.63 | 1.11 | 1.33 |
| MTD Change | 0.01 | 0.00 | -0.03 | -0.07 | -0.08 |

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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