IR+M
INCOME RESEARCH + MANAGEMENT

IR+M CLIENT UPDATE
June 2020

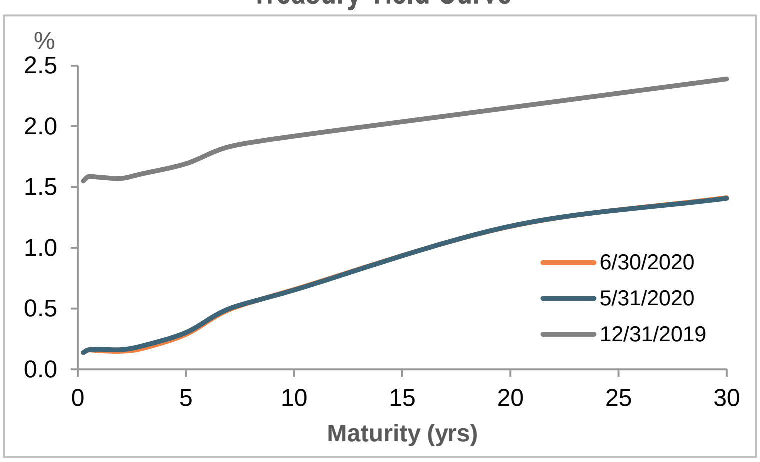
July 1, 2020

MARKET NEWS

- Risk-market strength persisted during June, supported by improving economic data and backing from the Federal Reserve (Fed), but optimism progressively faded as some states began to cut back on reopening measures
  - Non-farm payrolls, jobless claims, and retail sales beat consensus estimates, however, remain at depressed levels
  - The Fed committed to low rates until at least 2022, but suggested there could be lasting damage to the labor market
- The Treasury curve remained largely unchanged month-over-month, but steepened slightly; long-end yields were 0-1bp higher and short-end yields were 1-2bps lower
- The Fed released additional details of the Secondary Market Corporate Credit Facility (SMCCF), which included the largest issuers and sectors within its custom corporate bond index; up until June 16th, only fixed-income ETFs had been purchased
  - Consumer Non-Cyclical and Technology are the largest sectors within the index, while Toyota Motor Credit, Volkswagen Group America and Daimler Finance are the largest issuers
- Investment-grade corporate issuers priced almost $170 billion, well-above historical averages; the attractive funding environment continued with new issue concessions averaging -0.6bps in June, compared to 13bps in May and 21bps in April
  - Year-to-date issuance reached roughly $1.2 trillion, 98% ahead of last year's pace of $594 billion
- The risk-on tone pushed corporate spreads 24bps tighter from 174bps to 150bps, and approached the 10-year average of 141bps; 1-3 year corporate spreads tightened 30bps to 73bps, helped by Fed purchases, which are focused on the front-end
- High-yield borrowers issued over $55 billion, the highest monthly total on record, and despite heavy supply, spreads tightened 11bps, from 637bps to 626bps
- Agency-backed securitized sectors underperformed non-agencies, with agency commercial mortgage-backed securities (CMBS) lagging non-agency CMBS by over 1%
- Taxable municipal issuance totaled $16 billion in June, bringing the year-to-date total to $51 billion, and surpassing last year's pace by nearly 300%

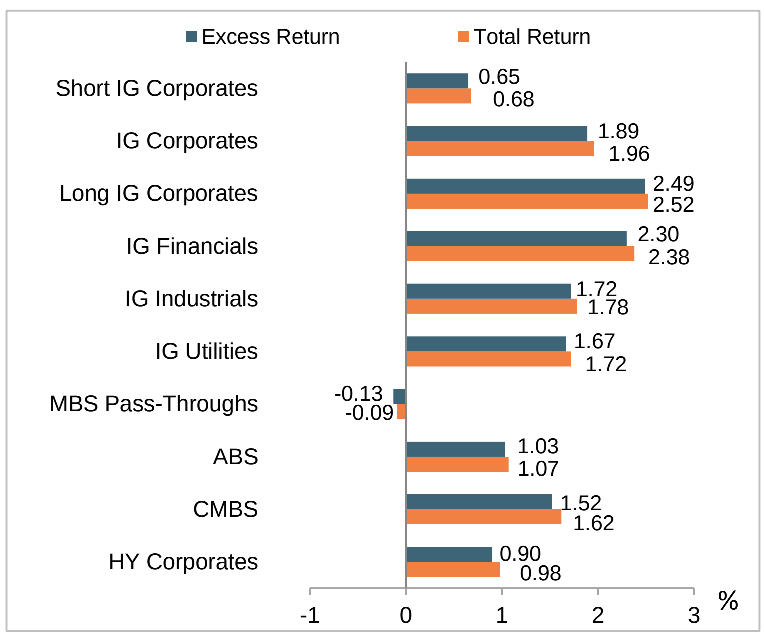
MARKET STATISTICS

Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
6/30/2020	0.15	0.29	0.66	1.18	1.41
MTD Change	-0.01	-0.01	0.01	0.00	0.00
YTD Change	-1.42	-1.40	-1.26	-	-0.98

MTD Returns



As of: 6/30/20. Sources: Bloomberg, Bloomberg Barclays.

Excess returns are the curve-adjusted excess return of a given index relative to a term structure-matched position in Treasuries.