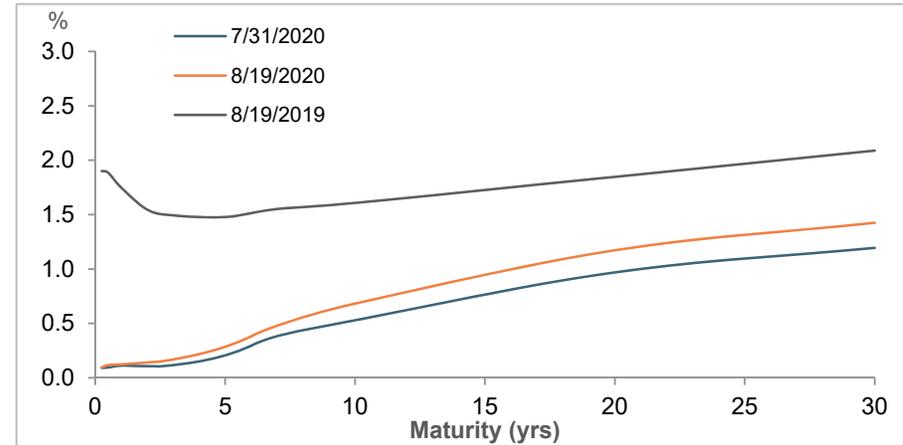




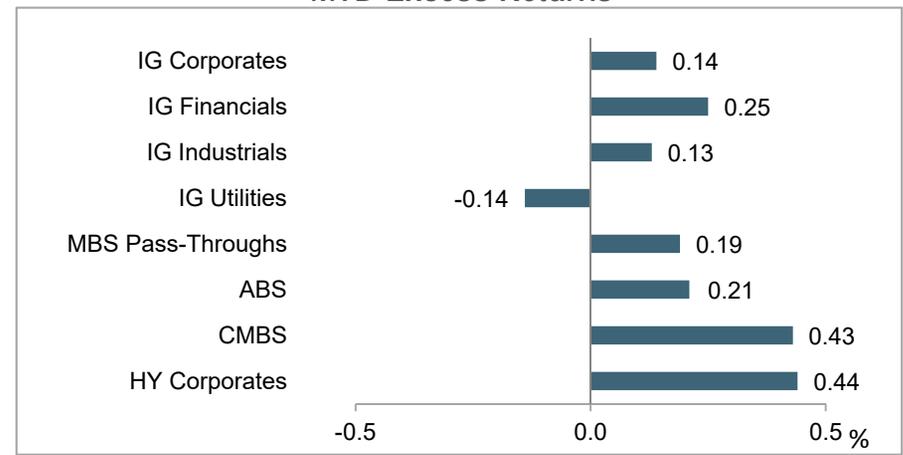
- The Treasury curve steepened, as long-end yields climbed week-over-week amid a mixed tone, given US-China geopolitical tensions and a stalemate in Congress over stimulus talks
  - Initial jobless claims rose back above 1 million – after falling last week – to 1.1 million
  - The S&P 500 Index reached a record high of 3,389.78, closing above the previous all-time high of 3,386.15 set on February 19<sup>th</sup>
- Minutes from the July Federal Open Market Committee (FOMC) meeting noted that guidance on the future path of rates would be “appropriate at some point,” a change from “at upcoming meetings”
  - The market is implying that the Federal Reserve (Fed) will not increase the fed funds target rate until 2024
- Issuers seemed to have forgotten about a typical summer slowdown as investment-grade borrowers priced roughly \$36 billion, above expectations of \$30 billion
  - More than \$117 billion has priced so far in August, doubling dealer projections of \$50-60 billion; the heavy supply drove corporate spreads 2bps wider to close at 130bps
  - Utilities underperformed Treasuries, and other corporate sectors, as wildfires in California regained headlines, leading to investor caution
- High-yield corporate spreads widened by 19bps – to 499bps – as monthly issuance exceeded \$50 billion for the second time ever and fund outflows dampened demand
- Mortgage-backed securities (MBS) outperformed Treasuries amid better than expected housing starts and mortgage applications
- Municipals underperformed Treasuries week-over-week, and the 10-year muni/Treasury ratio increased by 12% - closing at 101%

**Treasury Yield Curve**



Maturity	2-year	5-year	10-year	20-year	30-year
8/19/2020	0.14	0.28	0.68	1.17	1.43
MTD Change	0.03	0.07	0.15	0.20	0.24

**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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