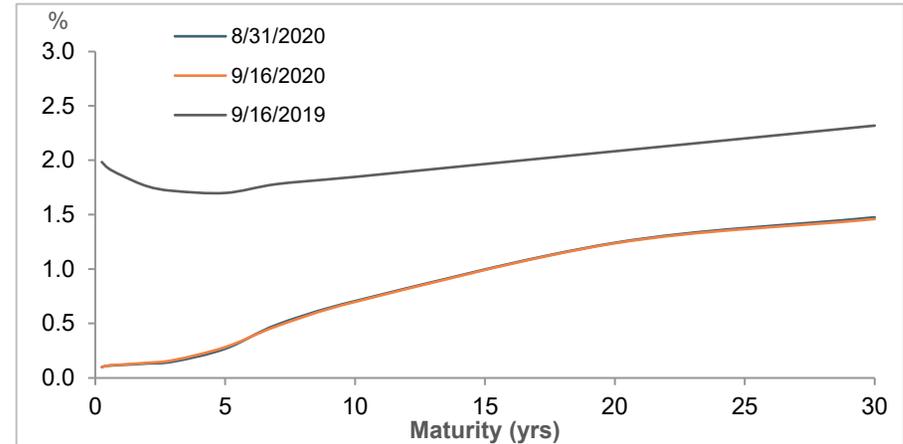




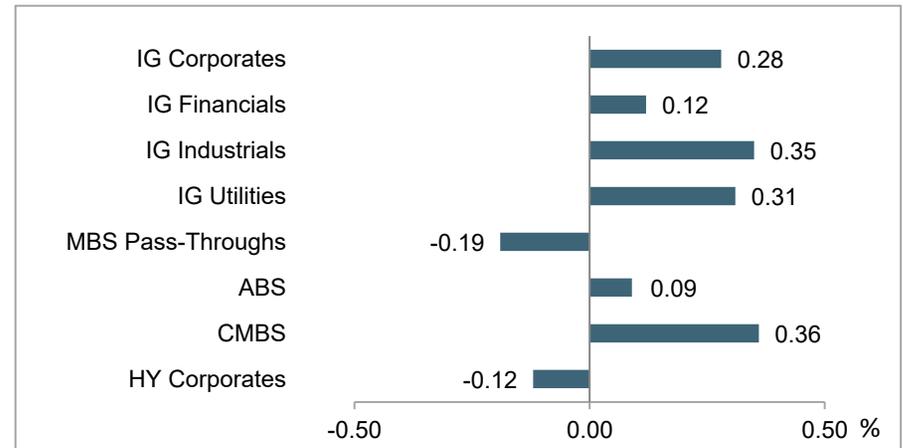
- Market sentiment held relatively steady over the week, as largely positive US economic data offset concerns of a slowing recovery, amid Congress' deadlock on additional fiscal stimulus
  - Retail spending increased 0.6% in August and 2.6% year-over-year; this marked a slowdown from 0.9% in July
  - The Federal Reserve (Fed) forecast US output will contract 3.7% in 2020 and unemployment will end the year at 7.6%, an improvement from its June forecast of a 6.5% contraction and 9.3% unemployment
- The Federal Open Market Committee (FOMC) released guidance as it implements the shift in policy announced by the Fed last month
  - The FOMC aims to achieve inflation moderately above its 2% target for some time, and does not expect to raise rates before the end of 2023
  - The Fed noted it will increase its holdings of Treasury and agency mortgage-backed securities at the current pace of a combined \$120 billion per month, if not more
- Investment-grade corporate issuers priced over \$41 billion, pushing year-to-date supply to almost \$1.5 trillion; supply was met with strong demand, and most deals priced with little or negative new issue concession
  - Corporate spreads tightened 3bps, from 131bps to 128bps, and high-yield spreads fell 8bps, from 493bps to 485bps
- Mortgage-backed securities (MBS) underperformed other securitized sectors as supply is expected to remain elevated; issuance of single-family MBS by Fannie Mae, Freddie Mac, and Ginnie Mae totaled almost \$322 billion in August, a new record
- Municipal bond mutual funds saw inflows of \$1.46 billion; however, concern over growing downgrade risks has led to three consecutive weeks of outflows in funds focused on high-yield municipal debt

Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
9/16/2020	0.14	0.28	0.70	1.24	1.46
MTD Change	0.01	0.01	-0.01	0.00	-0.02

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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