



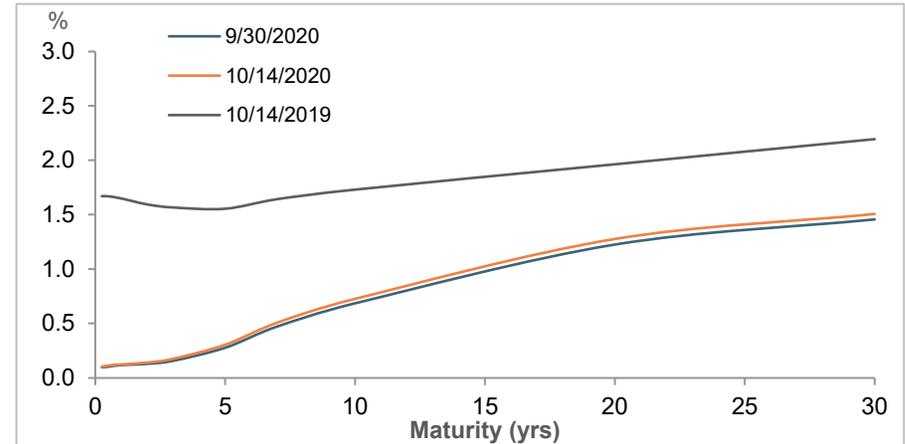
INCOME RESEARCH + MANAGEMENT

# IR+M CLIENT UPDATE

October 9 – October 15, 2020

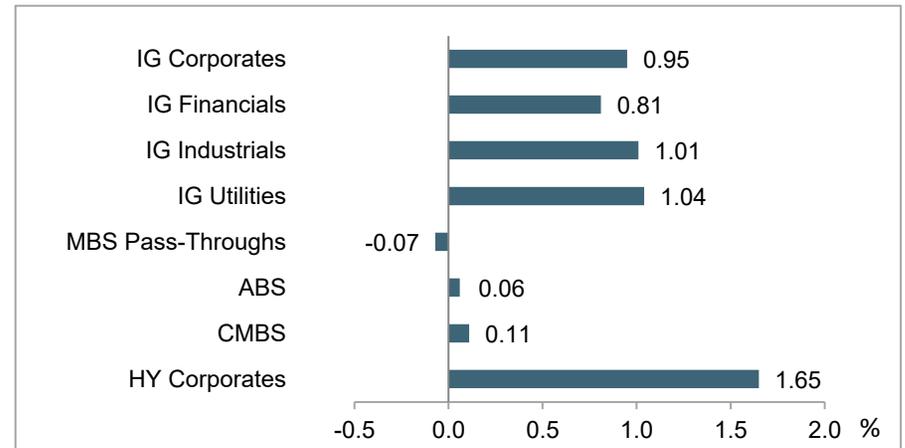
- Treasury yields fell on dimming hopes of additional US fiscal stimulus, increasing coronavirus cases, and the halt of a vaccine trial
- Economic data was varied, although two of the biggest US banks reported strong profits, lower loan loss provisions, and more upbeat outlooks on the US economy
  - The National Federation of Independent Business (NFIB) optimism index registered at 104.0 for September, up from 100.2 in August and the highest level since February
  - US initial jobless claims rose by 53,000 to 898,000, the highest level since August and above expectations of 825,000
- Investment-grade issuance took a breather, as only \$5 billion was priced in the holiday-shortened week, shy of the projected \$15 billion
  - The reduced supply was met with continued demand, and corporate spreads tightened 2bps, from 128bps to 126bps
- High-yield bonds also experienced strong interest, as retail funds saw inflows of \$1.8 billion
  - High-yield spreads narrowed 14bps, from 479bps to 465bps, hitting the lowest levels since February
- Mortgage-backed securities (MBS) underperformed other securitized sectors; applications for both new home purchases and refinancing remained elevated, at 24% and 44% higher annually, respectively
- Municipal bond mutual funds saw strong inflows, as investors added over \$2 billion during the week ended October 7<sup>th</sup>
  - Despite the demand, state and local government lobbying groups pressed the Federal Reserve to expand its municipal credit facility and to purchase municipals in the secondary market due to concerns of growing fragility in the municipal market

## Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
10/14/2020	0.14	0.31	0.73	1.28	1.51
MTD Change	0.01	0.03	0.04	0.05	0.05

## 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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