IR+M CLIENT UPDATE
September 2020

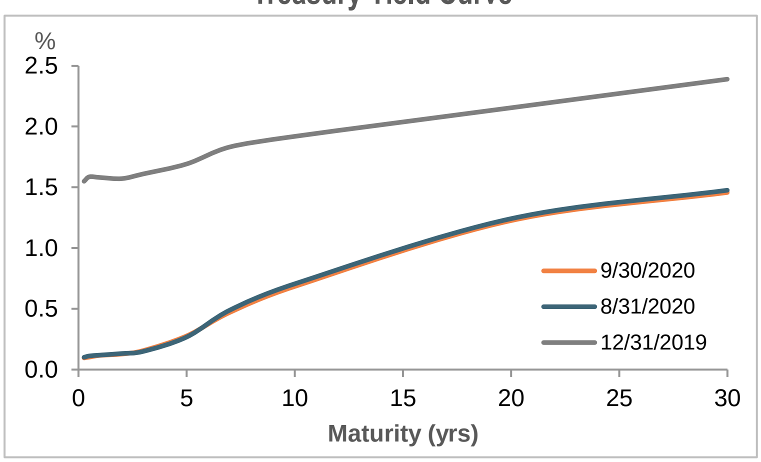
October 1, 2020

MARKET NEWS

- September brought a bout of volatility for spread product and equities; risk assets largely underperformed, as economic data was mixed, optimism for additional fiscal stimulus faded and renewed coronavirus fears concerned investors
    - US economic releases varied during the month, as initial jobless claims were mostly above estimates, but consumer confidence increased to the highest level since March, and inflation measures were higher-than-expected
- The Federal Open Market Committee (FOMC) forecasted the fed funds rate will stay near zero through 2023, suggesting that tightening will be delayed until inflation averages 2% and the future path of the recovery is more certain
- Treasury yields were virtually unchanged month-over-month, with rates within 1-2bps of where they ended August; the implied volatility of Treasury yields fell to an all-time low
- Investment-grade supply reached a new record for the month of September, as issuers rushed to borrow while funding levels remained attractive; issuance totaled roughly $164 billion, and eclipsed the previous record of $158 billion from 2019
    - A new monthly record was set in six of the previous seven months, however, expectations are for the pace to slow in October; initial estimates of $75 billion are well-below the five-year average for October of $93 billion
- Investors showed a strong appetite for newly issued bonds, reflected by minimal new issue concessions and average oversubscriptions of 3.5x, but secondary corporate spreads widened 7bps, from 129bps to 136bps, amid the volatile market backdrop
- High-yield corporate issuers priced over $47 billion, the third busiest month ever, and the heavy supply coupled with equity market weakness to pressure spreads, which widened 40bps, from 477bps to 517bps
- Mortgage-backed securities (MBS) underperformed Treasuries and other securitized sectors amid heavy origination and increased prepayments, despite the Fed purchasing over $110 billion of MBS, the most since April 2020
- Longer-duration municipals underperformed Treasuries, and the 10-year muni/Treasury ratio increased by 8% to 123%
    - Visible supply is roughly $20 billion, the highest total since late March, and could be a headwind going forward

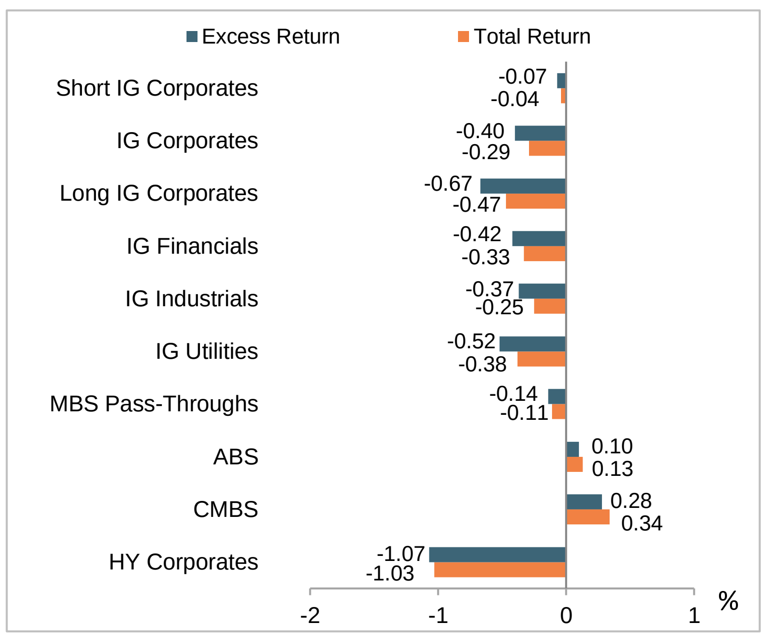
MARKET STATISTICS

Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
9/30/2020	0.13	0.28	0.69	1.23	1.46
MTD Change	0.00	0.01	-0.02	-0.01	-0.02
YTD Change	-1.44	-1.41	-1.23	-	-0.93

MTD Returns



As of: 9/30/20. Sources: Bloomberg, Bloomberg Barclays and JP Morgan.

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