



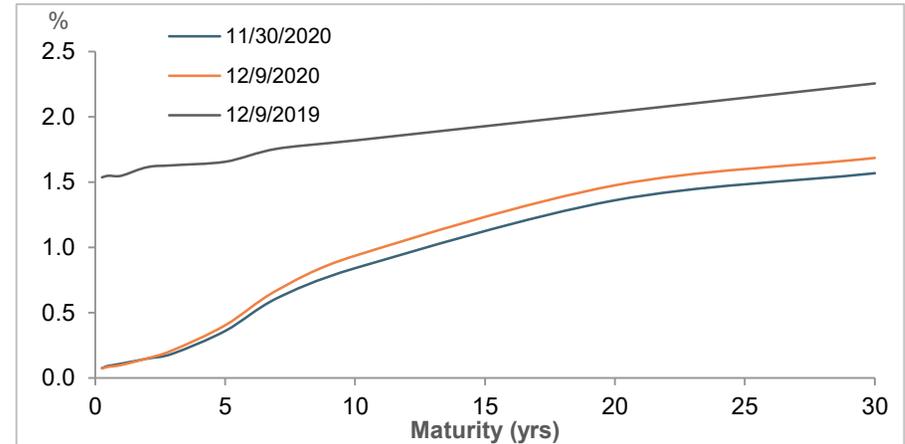
INCOME RESEARCH + MANAGEMENT

IR+M CLIENT UPDATE

December 1 – December 10, 2020

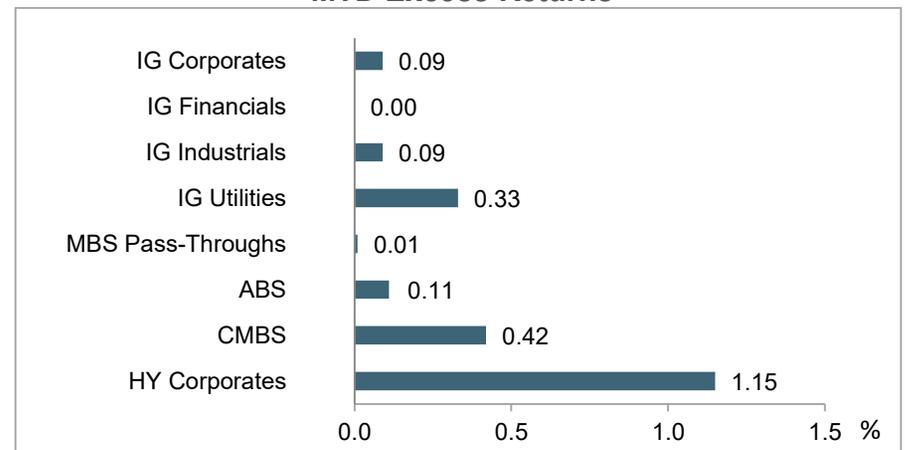
- US markets were bolstered by expectations of a vaccine approval and additional fiscal stimulus; however, growing labor market weakness and surging COVID cases remained a concern
 - US employers added 245,000 jobs in November, down from 610,000 in October, and the slowest rate of hiring since the start of the pandemic; initial jobless claims also jumped sharply from 716,000 to 853,000, well above estimates of 725,000
- The 10-year breakeven rate, a measure of inflation expectations, rose on market optimism to 1.91%, the highest level in over 18 months
 - Inflows into US bond funds and ETFs focused on inflation insurance hit \$42.3bn, outpacing any annual flow over the last decade
- Corporate issuers took advantage of the stronger market tone, and issued \$36.3 billion month-to-date, exceeding the projected \$30 billion for December; supply is expected to drop off ahead of the holidays
 - Deals generally saw strong subscription levels and low to negative new issue concessions; corporate spreads were unchanged at 104bps, although they did close as low as 99bps last week, the lowest level since late February
- High-yield issuers priced over \$14 billion in a year-end deal rush, pushing year-to-date issuance to over \$415 billion
 - Spreads closed 34bps tighter, narrowing from 412bps to 378bps, as investors' appetite for risk resulted in a record low yield of 4.34% for the Bloomberg Barclays US Corp High Yield Index
- Commercial mortgage-backed securities (CMBS) outperformed other securitized sectors, with \$57 billion in year-to-date supply, over 46% behind last year's pace
- Municipals benefitted from strong technicals and outperformed Treasuries, with the 10-year muni/Treasury ratio falling from 85% to 75%
 - December's expected \$26 billion of supply will be \$18 billion less than maturing debt and coupon payments

Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
12/9/2020	0.15	0.40	0.94	1.48	1.69
MTD Change	0.00	0.04	0.10	0.12	0.12

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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