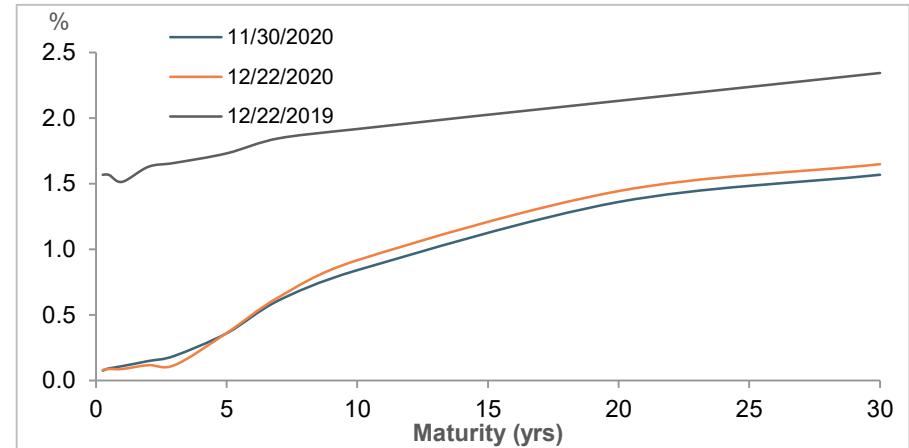




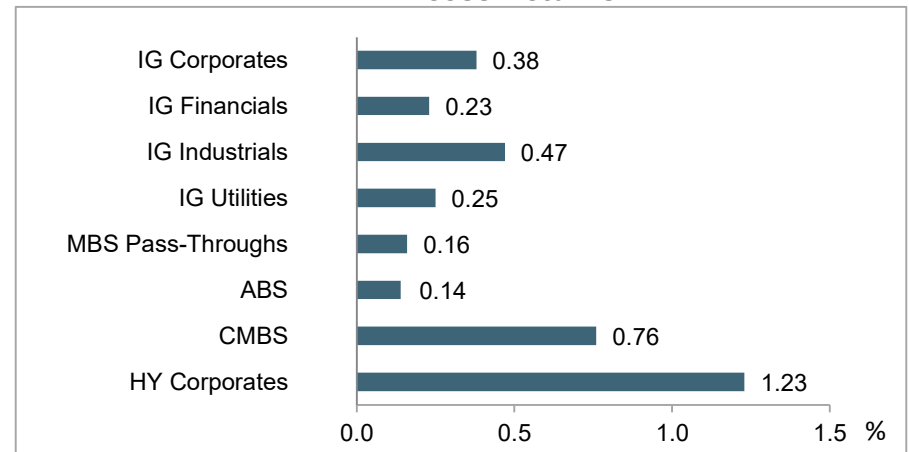
- Optimism over Congress' \$900 billion stimulus package was clouded by mixed economic data and the President's unexpected announcement that he may reject the bill
 - Consumer spending dropped in November by 0.4%, the first decline since April, while personal income fell by 1.1%
 - Initial jobless claims were lower than expected at 803,000, down 89,000 from the prior week; however, over 20 million people continue to receive unemployment benefits
- Inflation expectations continued to march higher, with the 10-year breakeven rate closing at 1.94%
 - Despite the November drop in personal income, consumer spending has potential to rebound as income is up 2% from February and savings remain historically high at 12.9%
- There was no issuance in the investment-grade corporate market, and spreads tightened 1bp, from 102bps to 101bps, on the lack of supply
 - Over \$1.7 trillion priced in 2020, up 58% from 2019; dealers are calling for an estimated \$1.3 trillion in 2021, with \$115 billion expected in January
- High-yield issuance also ground to a halt, with no new issuance expected through the rest of the year; supply hit an all-time high of \$431 billion this year, but is predicted to fall to \$300 billion to \$375 billion next year
 - Although spreads widened 6bps from 379bps to 385bps, they are over 700bps tighter from their year-to-date wides of 1100bps
- In the securitized sector, commercial mortgage-backed securities (CMBS) continued their outperformance on light supply, with \$61.6 billion priced for 2020, which was down 45.8% from last year
 - Only \$6 billion of new issue is expected to price by February 2021, which would be 71% lower year-over-year
- Municipals outperformed Treasuries given the likelihood of reduced supply, and the 10-year muni/Treasury ratio fell from 75.2% to 74.5%
 - The municipal bond 30-day forward calendar hit an eight-year low of \$2.2 billion, well below the 2020 average of \$14.2 billion

Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
12/22/2020	0.12	0.36	0.92	1.44	1.65
MTD Change	-0.03	0.00	0.08	0.08	0.08

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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