IR+M
INCOME RESEARCH + MANAGEMENT

IR+M CLIENT UPDATE
November 2020

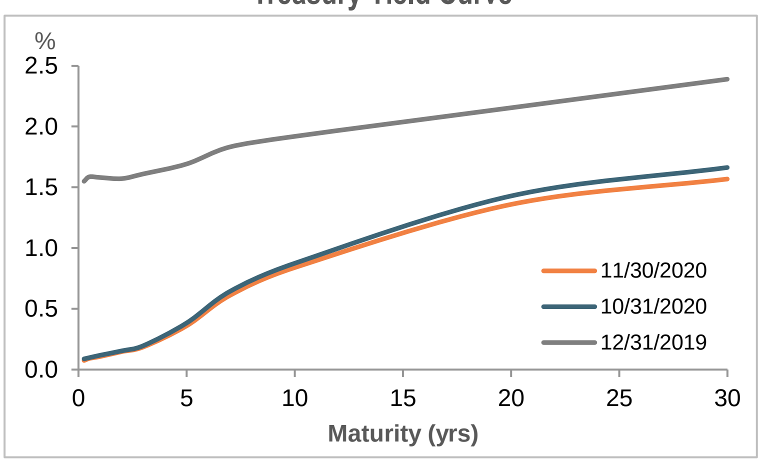
December 1, 2020

MARKET NEWS

- Market sentiment rebounded on positive vaccine developments and the likelihood of a split Congress, but the tone was tempered by surging COVID-19 cases and the upcoming expiration of some CARES Act facilities
    - The US Treasury decided not to extend the following facilities past year-end; the Main Street Lending Program, the Municipal Liquidity Facility, the two corporate credit facilities, and the Term Asset-Backed Securities Loan Facility
    - While such facilities provided needed stability to markets, program limits were far from being reached
- Treasury yields closed lower across the curve and the curve flattened, with the 10-year falling to an intraday low of 0.72%, as a resurgence in positive coronavirus cases and renewed lockdowns cautioned investors
- Issuers took advantage of the attractive funding environment and issued roughly $90 billion in November, ahead of estimates of $70 billion; the majority of issuance was from lower-rated issuers or longer-duration bonds, and, on average, new issue concessions were negative and books were 3.4 times oversubscribed
    - Solid third quarter earnings and investor appetite for risk buoyed investment-grade corporate spreads, which tightened by 21bps from 125bps to 104bps, and are only 11bps away from the tights set at the beginning of the year
    - Verizon was the first non-financial issuer to price a 20-year corporate versus the 20-year Treasury with its $3 billion deal; five other non-financial 20-year bonds were issued in the fourth quarter but priced to the 30-year Treasury
- High-yield supply fell for the fourth consecutive month, as issuers priced under $32 billion after issuing almost $53 billion in August; positive technicals supported spreads, which tightened 97bps, from 509bps to 412bps
- Agency mortgage-backed securities (MBS) underperformed other securitized sectors, and lower-coupon MBS outperformed higher-coupon MBS largely due to higher demand from the Fed
    - FOMC meeting minutes suggest that the Fed will continue to purchase agency MBS at the current pace, which should provide a tailwind for the sector for the foreseeable future
- Muni/Treasury ratios declined across the curve and approached pre-COVID levels, as municipals outperformed Treasuries

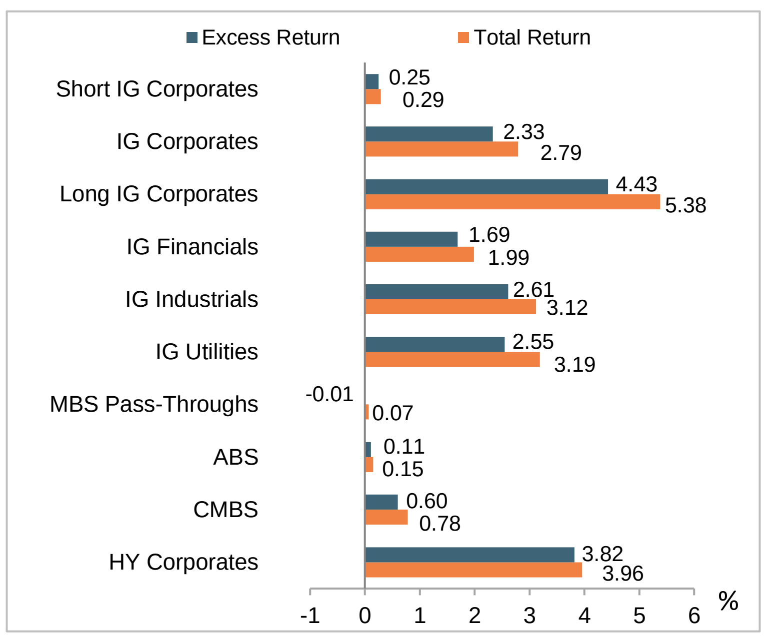
MARKET STATISTICS

Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
11/30/2020	0.15	0.36	0.84	1.36	1.57
MTD Change	-0.01	-0.03	-0.04	-0.07	-0.09
YTD Change	-1.42	-1.33	-1.08	-	-0.82

MTD Returns



As of: 11/30/20. Sources: Bloomberg, Bloomberg Barclays.

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