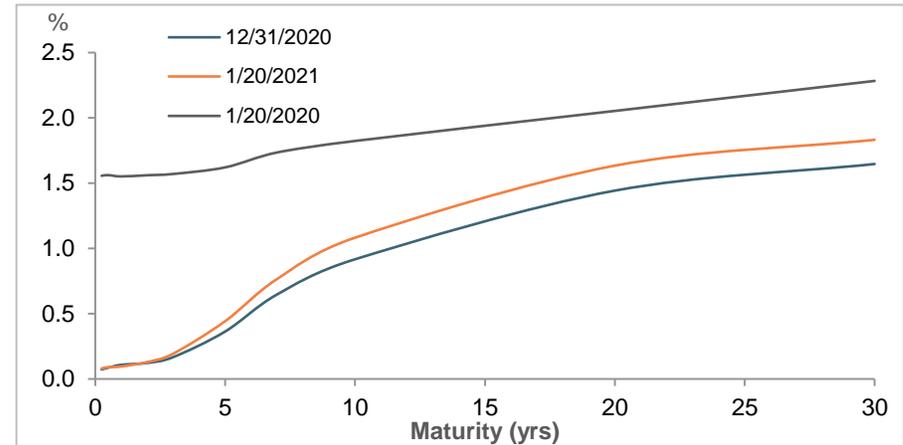




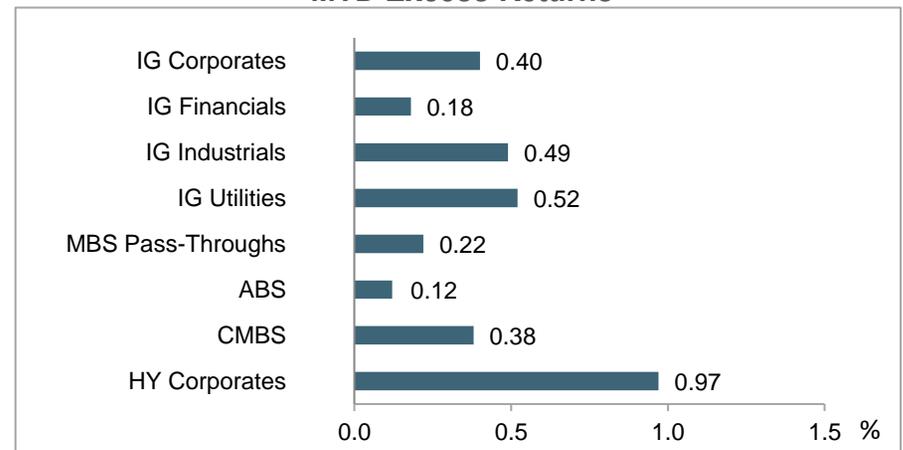
- After equity markets closed lower last week, optimism returned with better-than-expected earnings and additional fiscal stimulus to combat the coronavirus pandemic, which appears to be at the top of President Biden’s agenda
  - Fourth-quarter earnings have been better than anticipated, with about 88% of companies beating estimates
  - December retail sales fell by 0.7%, the third consecutive month of declines, as consumers held back on spending
- Treasury Secretary nominee Janet Yellen called the President’s proposed \$1.9 trillion package a necessity during her confirmation hearing, urging that while the price tag is high, the cost of inaction is higher
  - After closing above 1.13% last week, the 10-year Treasury yield fell to 1.08% on Wednesday
  - The 10-year breakeven rose 6bps to close at 2.12% on Wednesday, as investors expect increased government spending and continued support from the Federal Reserve will likely generate higher inflation
- Dominated by financials, investment-grade issuers priced roughly \$26 billion, slightly higher than the projected \$25 billion; more than 55% of the supply was focused on longer-term maturities due to a steeper yield curve
  - Corporate spreads were flat for the week, remaining at 93bps
- High-yield issuance was over \$10 billion, bringing the month’s volume to almost \$33 billion – the second busiest January on record
  - Investors digested the supply, and high-yield spreads tightened 9bps, from 354bps to 345bps
- Mortgage-backed securities (MBS) performed well, with the MBA Mortgage Applications Index falling 1.9% week-over-week led by a 5% decline in the refinance index
- With state and local governments primed to receive additional federal funding, municipal bond fund flows reached \$3.3 billion during the week ending January 13<sup>th</sup> – an increase of approximately \$600 million from the week prior

Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
1/20/2021	0.13	0.44	1.08	1.63	1.83
MTD Change	0.01	0.08	0.16	0.19	0.18

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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