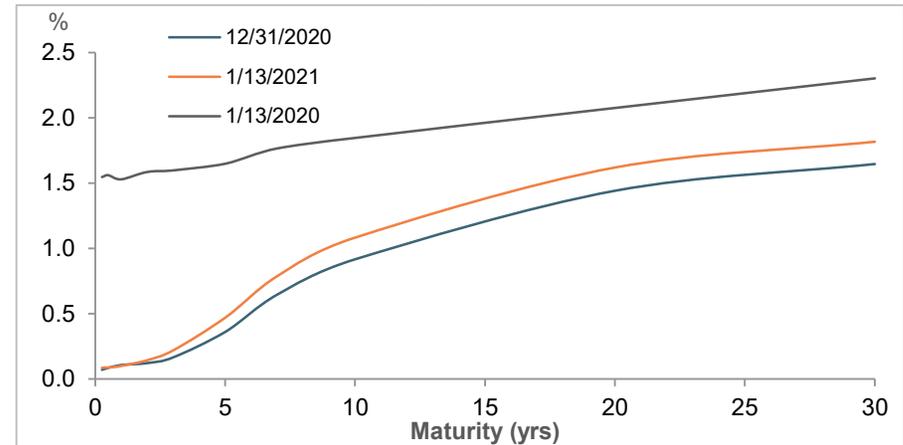




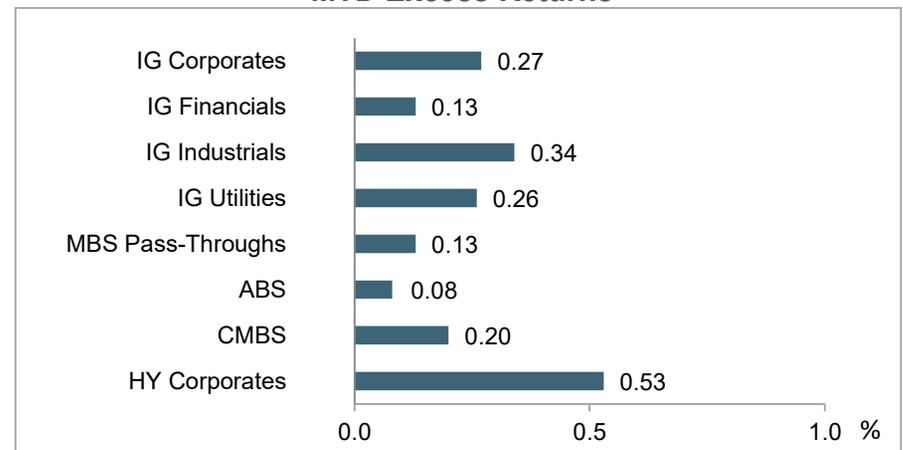
- Investors were largely unfazed by weaker economic data, riding a wave of optimism on President-elect Biden's fiscal stimulus policy that is expected to target trillions of dollars in spending
  - The NFIB Small Business Optimism Index, a measure of small business health, fell from 101.4 to 95.9 in December, due to state-mandated business closures and a slowdown in consumer spending
- The Federal Reserve (Fed) noted in its Beige Book that economic activity increased modestly, but conditions were mixed and the overall recovery remained incomplete
  - Comments on the potential to taper Fed bond purchases pushed Treasury yields higher, with the 10-year closing as high as 1.13%; however, Fed officials reiterated their commitment to aggressively support the economy
- The US Treasury auctioned \$38 billion of 10-year and \$24 billion of 30-year Treasuries; both auctions received strong demand
  - The federal deficit hit \$572.9 billion in 4Q20, a 61% increase year-over-year, on continued economic support during the pandemic; spending is set to rise on additional stimulus
- Investment-grade corporate issuance slowed on higher rates, and issuers priced \$24 billion of a projected \$30 billion for the week
  - Corporate spreads tightened 5bps week-over-week, from 98bps to 93bps, on strong demand for the reduced supply
- The high-yield primary market returned to life, with almost \$8 billion priced during the week; spreads widened 2bps week-over-week, from 352bps to 354bps, on increased issuance
- Asset-backed securities (ABS) underperformed other securitized sectors on strong issuance, as almost \$4 billion has priced month-to-date and at least eight deals are expected to price in the next two weeks
- Muted municipal supply, which is down over 50% year-over-year, and the expectation of additional fiscal support, pushed the 10-year muni/Treasury ratio to a new record low of 65% early in the week

### Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
1/13/2021	0.15	0.47	1.08	1.62	1.82
MTD Change	0.03	0.11	0.16	0.18	0.17

### 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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