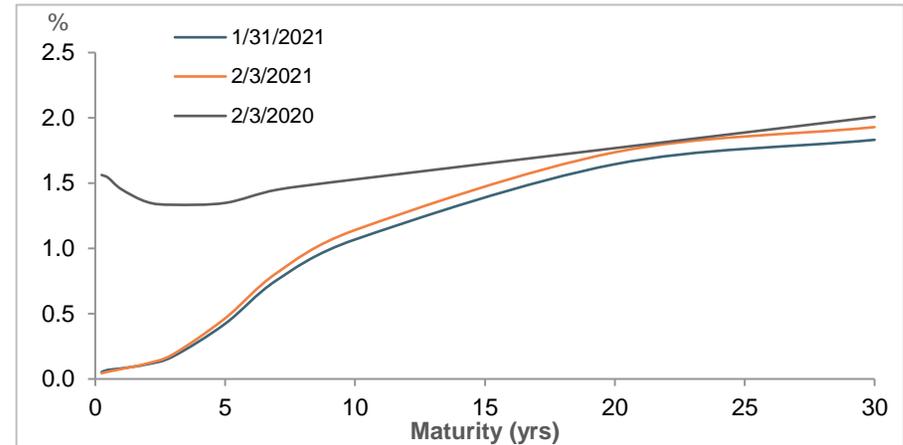




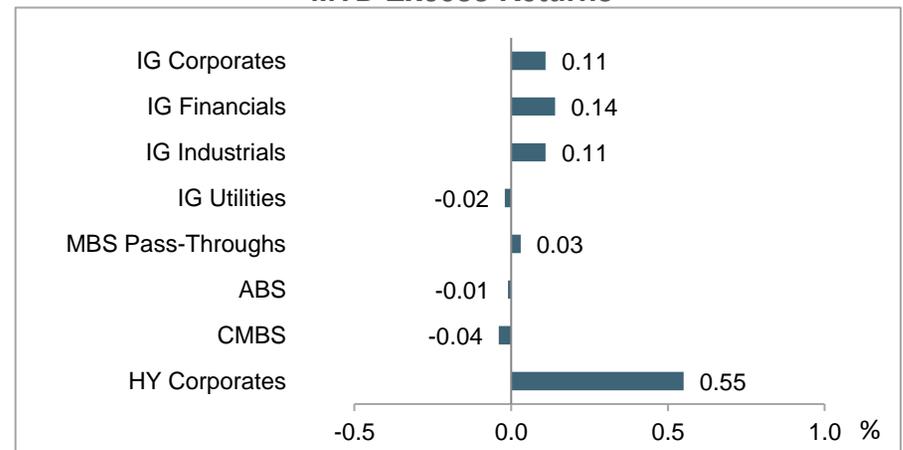
- Optimism returned to the market, driven by an improved rollout of coronavirus vaccinations, a decrease in new infections, and relatively strong economic data
  - Although January's ISM Manufacturing PMI activity ticked lower from 60.5 in December, it remained in growth territory at 58.7, as manufacturing continued to be a bright spot for the US economy
  - Private payrolls in January showed a sharp rebound, with ADP reporting 174,000 jobs added for the month; December's report was revised upward from -123,000 to -78,000
- The Congressional Budget Office projected that real GDP will return to a pre-pandemic level by mid-2021 and surpass its maximum sustainable level in early 2025; unemployment will approach pre-pandemic levels in 2024
  - The US Treasury curve continued to steepen, with the 10-year closing at 1.14% on Wednesday
- February witnessed a strong start in the investment-grade corporate market, with over \$45 billion pricing for the week, about 50% more than the \$30 billion estimated; deals were roughly 3x oversubscribed
  - Despite the heavier supply, corporate spreads tightened 2bps, from 97bps to 95bps, due to robust demand
  - Financials comprised about 13% of the week's issuance after dominating supply in January
- High-yield issuers priced approximately \$6 billion, continuing to take advantage of investors' appetite for yield
  - High-yield spreads tightened 20bps, from 362bps to 342bps (an 11-month low) and yields dropped to 4.12%
- Supply of asset-backed securities (ABS) totaled a little over \$7 billion for the first week of February, about half of January's total of \$14 billion; the influx of issuance weighed on performance
- Year-to-date taxable and tax-exempt municipal bond supply totaled about \$26 billion, around 15% below last year's pace of \$31 billion

### Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
2/3/2021	0.12	0.46	1.14	1.73	1.93
MTD Change	0.01	0.04	0.07	0.09	0.10

### 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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