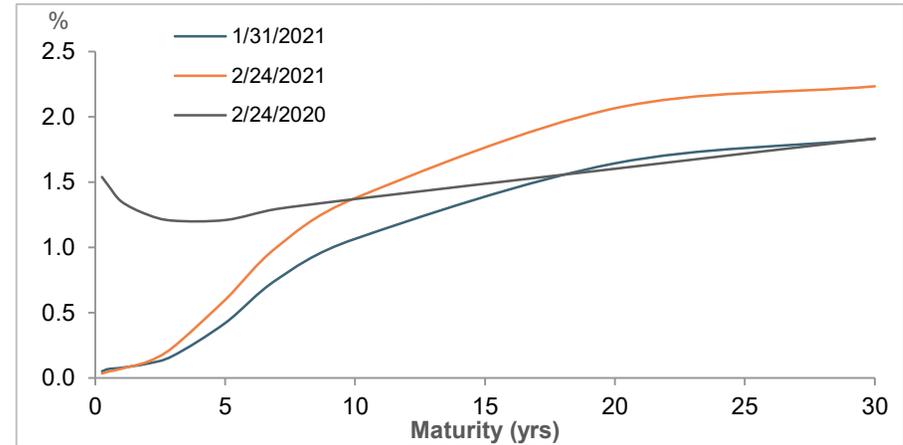




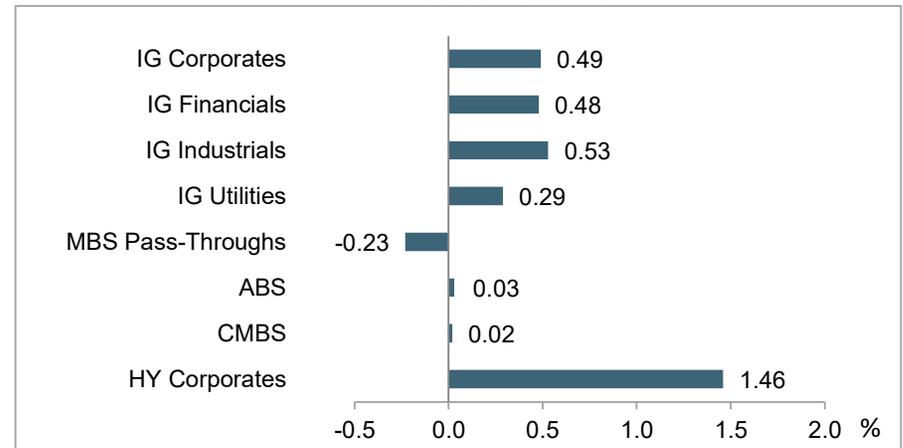
- Federal Reserve (Fed) testimony and upbeat economic data generally kept equities elevated, while continued focus on the inflationary potential of the Biden administration's stimulus package lifted Treasury yields to some of their highest levels in over a year
 - US durable goods orders, often viewed as an indicator of future economic growth, increased 3.4% in January, well above expectations of 1.1%
 - The 10-year Treasury yield reached 1.43% intraday, the highest level in a year, before closing at 1.38%
- Fed Chairman Powell noted an improved outlook, but vowed to maintain strong support of the economy and downplayed concerns of a sustained increase in inflation
 - The 5-year breakeven inflation rate remained higher than the 10-year, at 2.40% and 2.17%, respectively, suggesting markets believe the Fed may be forced to curb inflation more swiftly than otherwise indicated
- Investment-grade corporate issuers priced \$33 billion, in-line with projections of \$35 billion; in a change from previous weeks, issuers largely avoided longer maturities given the steepening yield curve
 - Corporate spreads widened 2bps week-over-week to 91bps after tightening to 88bps, the lowest level since 2018, on rate concerns
- High-yield issuers priced over \$6 billion this week amid robust demand; this quarter is on track to be the busiest first quarter ever, with almost \$84 billion of year-to-date supply
 - Despite the heavy supply, high-yield spreads tightened 2bps week-over-week to 317bps, supported by investors' thirst for yield
- Mortgage-backed securities (MBS) underperformed other securitized sectors on extension fears, as the average 30-year fixed mortgage rose back above 3%
- Municipals underperformed Treasuries, as the market priced in rising rates and growing inflation expectations; the 10-year muni/Treasury ratio rose from 62% to 78%

Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
2/24/2021	0.13	0.60	1.38	2.07	2.23
MTD Change	0.02	0.18	0.31	0.43	0.40

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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