



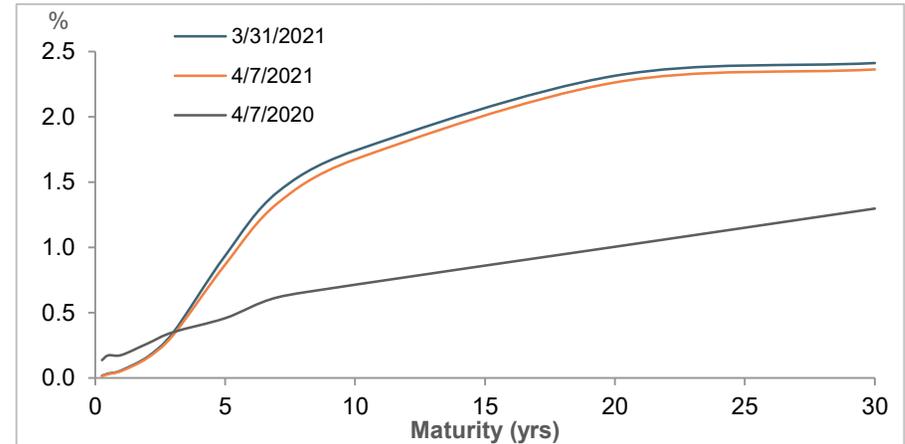
INCOME RESEARCH + MANAGEMENT

IR+M CLIENT UPDATE

April 1 – April 8, 2021

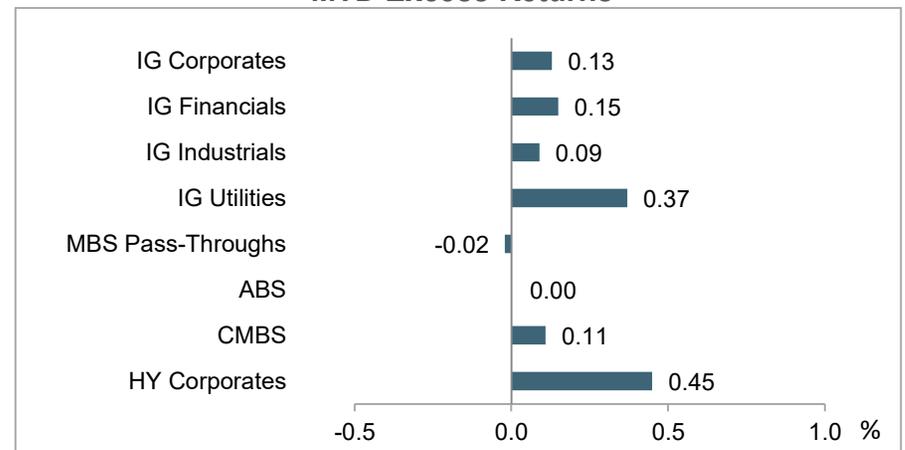
- An increasing pace of vaccinations, improving labor conditions, and the prospect of a massive infrastructure spending package buoyed investor optimism, driving a risk-on tone in the markets
 - The Bureau of Labor Statistics reported the US economy added 916,000 jobs in March, while the unemployment rate edged down from 6.2% to 6%
 - The Biden Administration continued to push its \$2 trillion infrastructure proposal forward, despite concerns that the potential increase in corporate taxes could hamper growth
- In the FOMC March meeting minutes, Federal Reserve (Fed) officials noted a “broadly balanced” view of inflation risks and gave no indication of winding down their accommodative monetary support
 - Despite Fed expectations to keep rates zero-bound until at least 2024, markets have begun to price in an initial rate hike by the end of 2022
 - The 10-year Treasury yield fell 6bps on the Fed’s supportive stance, closing at 1.68%
- Investment-grade corporate issuance moderated, pricing \$18 billion of a projected \$20 - \$25 billion; in response to the impending retirement of LIBOR, three issuers brought floating rate deals linked to SOFR
 - Corporate spreads tightened 2bps, from 91bps to 89bps, on the reduced supply and positive market sentiment
- High-yield issuance remained relentless, as companies took advantage of falling borrowing costs to refinance debt and extend maturities, pricing over \$4 billion during the week
 - Amidst continued demand and equity market strength, spreads fell 20bps, from 310bps to 290bps, the lowest level since 2007
- Commercial mortgage-backed securities (CMBS) saw \$3 billion of issuance month-to-date; year-to-date supply, which had been trailing last year’s pace, is now over \$27 billion and 9.5% higher year-over-year
- Weekly municipal bond mutual funds inflows totaled \$814 million; 2021 flows have been positive in 12 of the last 13 weeks

Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
4/7/2021	0.15	0.87	1.68	2.26	2.36
MTD Change	-0.01	-0.07	-0.06	-0.05	-0.05

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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