IR+M

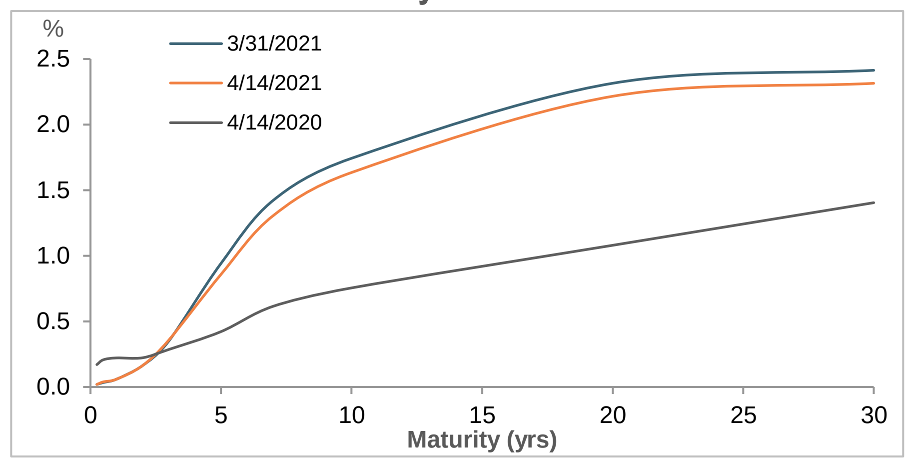
INCOME RESEARCH + MANAGEMENT

IR+M CLIENT UPDATE

April 9 – April 15, 2021

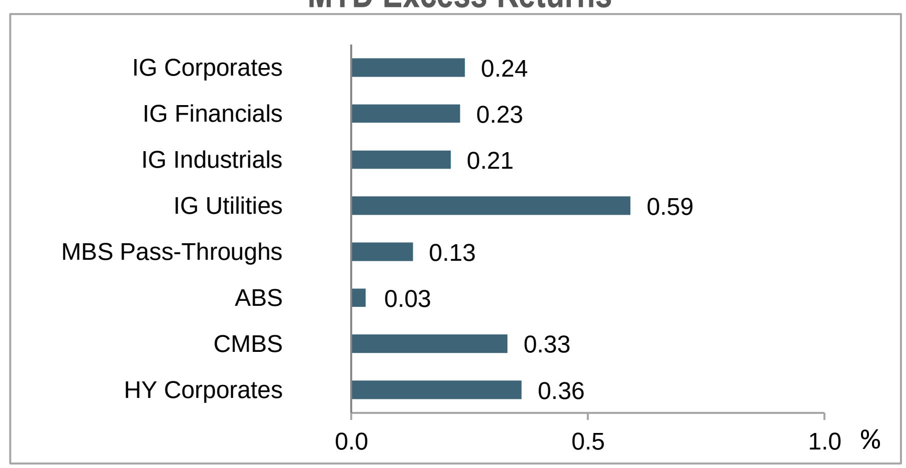
- Risk assets continued to rally as investors cheered better-than-expected economic data and a strong start to first quarter earnings
  - March retail sales jumped 9.8% following February's decline of 2.7%, the largest monthly gain since last May, as the latest round of stimulus boosted consumer spending
  - Initial weekly jobless claims fell to 576,000 from 769,000, the lowest level since the start of the pandemic
  - March's Headline CPI rose 2.6% year-over-year, the biggest yearly increase since August 2018
- Federal Reserve (Fed) Chairman Jerome Powell stated that the pace of asset purchases will moderate "well before" the Fed raises rates
  - Treasury yields fell as the Fed reiterated that accommodative measures will remain until "substantial further progress" on maximum employment and stable 2% average inflation occur
  - After contributing to a wave of selling in February, overseas investors resumed buying Treasuries, lending further support to rates; the 10-year Treasury yield fell 5bps to close at 1.63%
- Issuance in the investment-grade market slowed to $14 billion, lower than projections of $20 - $25 billion, due to earnings blackouts
  - Corporate spreads tightened 1bp, from 89bps to 88bps, due to reduced supply and continued investor demand
- High-yield supply remained robust with about $11 billion pricing this week, bringing the month's volume to $29 billion
  - Amid the heavy supply, high-yield spreads widened 5bps, from 290bps to 295bps, but remained near historic tights
- Asset-backed securities (ABS) underperformed other securitized sectors after a heavy week of supply totaling about $7 billion; YTD issuance of approximately $81 billion is 59% higher than this time last year
- As speculation of increased tax rates continues, investors added $2 billion to municipal bond mutual funds for the week; the 10-year muni/Treasury ratio closed at 59%, down from 62%

Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
4/14/2021	0.16	0.86	1.63	2.21	2.31
MTD Change	0.00	-0.08	-0.11	-0.10	-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.