



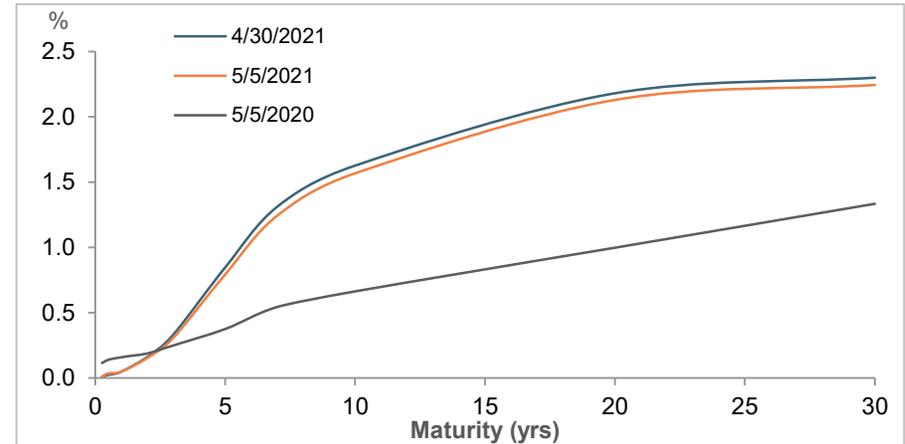
INCOME RESEARCH + MANAGEMENT

## IR+M CLIENT UPDATE

May 1 – May 6, 2021

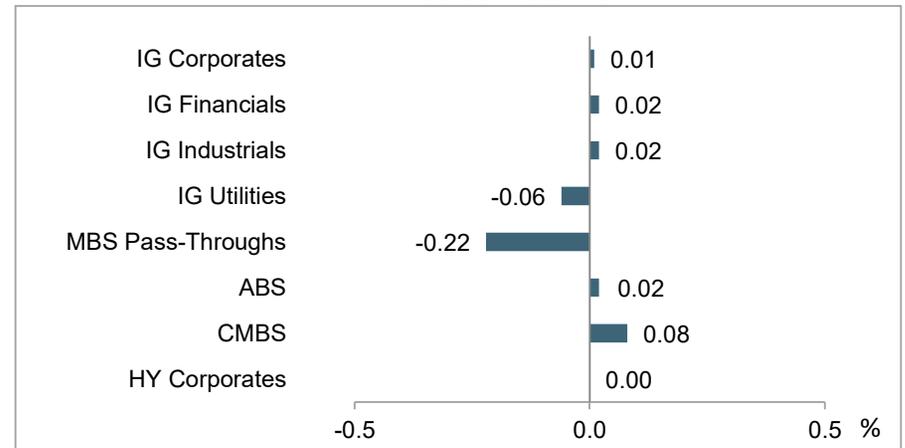
- The US economic recovery marched on, sustained by the highest year-over-year growth rate in quarterly earnings in over a decade and a strengthening labor market; however, markets were rattled by the potential impact of supply constraints
  - Jobless claims dropped to 498,000, down from 590,000 the prior week and below 500,000 for the first time in over a year
  - ISM Manufacturing PMI fell 4% to 60.7% in April, solidly in expansion territory but below estimates of 65.0%; the main constraint to stronger output was a shortage of parts and labor
- The US Treasury announced in its quarterly refunding statement that it will be offering \$126 billion of Treasury securities in May, covering securities maturing this month and raising an additional \$78 billion
  - Despite the growing supply of US Treasuries, Treasury yields fell broadly across the curve on concerns of a slowing recovery - the 10-year yield finished the week down 6bps at 1.57%
- Investment-grade issuance of \$25 billion fell short of an expected \$35 billion; borrowers saw heavy demand with average oversubscription levels of 3x and flat to negative new issue concession
  - Corporate spreads increased 1bps to 89bps, just 4bps shy of their 10-year highs, as concerns of a slowing recovery were offset by the lighter supply
- High-yield supply showed no sign of easing, as issuers priced almost \$8 billion, with another \$3 billion expected before the end of the week
  - The heavy supply was well-received, and spreads closed 1bp tighter at 290bps; spreads were as low as 285bps earlier in the week, the tightest level in over 10yrs
- Residential mortgage-backed securities (MBS) underperformed other securitized sectors on rising prepayment fears, as the average 30-year mortgage rate fell to 2.96%, its lowest level since mid-February
- Municipal supply remained robust, with almost \$40 billion priced in April, and another \$42 billion projected for May; the 10-year muni/Treasury ratio closed near historic lows at 62%, as demand continues to be bolstered by the prospect of rising tax rates

### Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
5/5/2021	0.15	0.79	1.57	2.13	2.24
MTD Change	-0.01	-0.06	-0.06	-0.05	-0.06

### 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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