IR+M

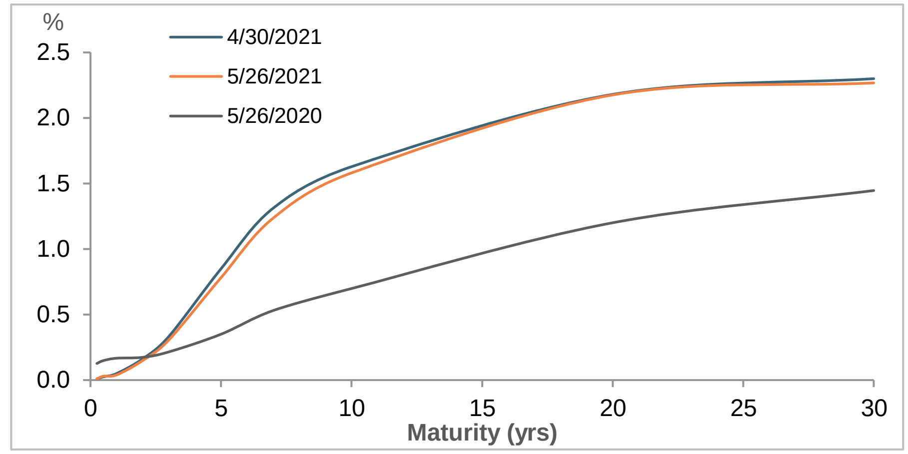
INCOME RESEARCH + MANAGEMENT

IR+M CLIENT UPDATE

May 21 – May 27, 2021

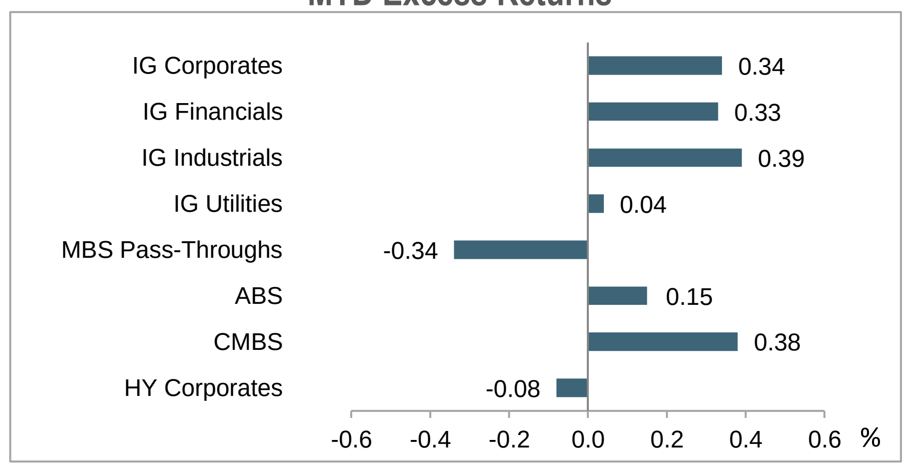
- A relatively quiet week ahead of the Memorial Day holiday saw Treasury rates decrease, most notably in the long end, despite risk assets largely outperforming
    - Front-end yields remained anchored while the 10-year Treasury rate fell 10bps to 1.58%
- Several Federal Reserve (Fed) officials spoke throughout the week and reiterated similar themes from last week's FOMC meeting minutes
    - Inflationary pressures were believed to be transitory, while the prospect of tapering asset purchases is likely to be discussed at upcoming meetings
- There was a surge in investment-grade supply, totaling almost $36 billion, as issuers were eager to price bonds ahead of the upcoming holiday
    - The bulk of supply was concentrated in the Finance sector – roughly $20 billion – with Morgan Stanley, Bank of America, JPMorgan, UBS and Deutsche Bank all issuing new debt
- Investment-grade corporates proved resilient to the heavier-than-expected supply, and spreads tightened 3bps week-over-week to 85bps, matching the tightest levels since 2007
- The high-yield primary market was also active, with week-to-date issuance surpassing $8 billion; month-to-date supply of $45 billion eclipsed the previous May record of almost $44 billion set in 2020
    - High-yield spreads were buoyed by higher oil prices and a positive tone, tightening 5bps week-over-week to 303bps
- Agency mortgage-backed securities (MBS) underperformed both Treasuries and Securitized sub-sectors, as the potential tapering of asset purchases by the Fed garnered increased attention
- Municipals underperformed Treasuries and muni/Treasury ratios increased; however, ratios remain well-below historical averages

Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
5/26/2021	0.15	0.78	1.58	2.17	2.26
MTD Change	-0.01	-0.07	-0.05	-0.01	-0.04

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.