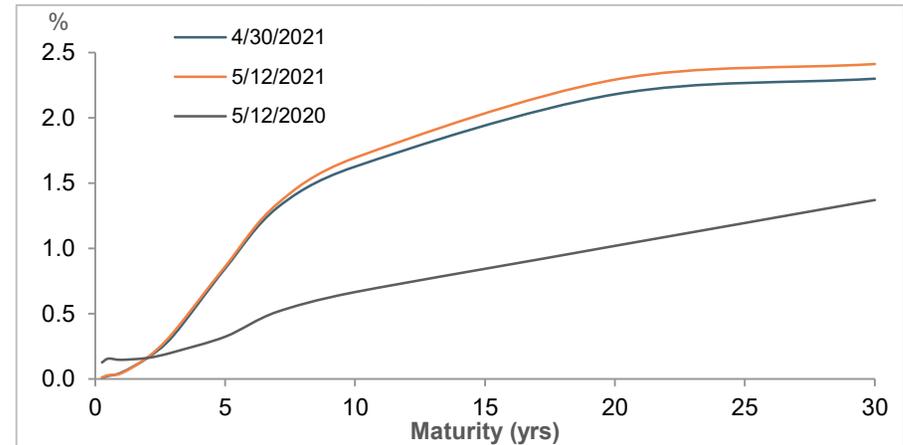




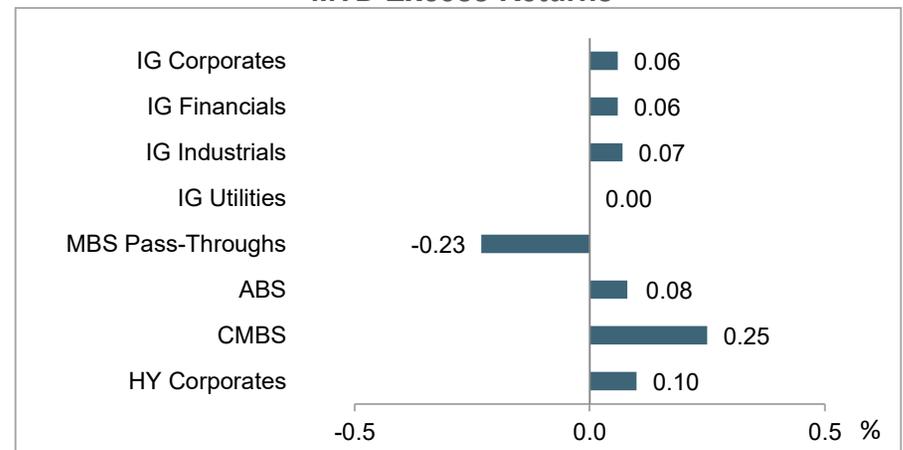
- The prospect of an overheating US economy contributed to a risk-off market sentiment, while softer-than-expected labor market data reflected an uneven recovery
  - The US Consumer Price Index increased 4.2% year-over-year in April, above expectations of 3.6%; while the jump was the biggest rise since 2008, inflation levels were also relatively low at the start of the pandemic
  - Despite job openings at a record high, US non-farm payroll in April underwhelmed, with 266,000 jobs added versus expectations of 1 million
- Federal Reserve (Fed) officials were surprised by the higher inflation readings, but continue to view inflation risks as transitory
  - Market-based inflation expectations rose, with the 10-year breakeven closing at 2.56%, the highest level in over five years
  - Treasury yields, which initially fell in the front-end on the weaker jobs data, climbed later in the week; the 10-year Treasury yield closed up 12bps to 1.69%, and longer yields also ended higher
- Investment-grade issuers priced roughly \$42 billion of a projected \$45 billion; over \$27 billion was issued on Monday, the largest day by volume in over a year, as Amazon brought an \$18 billion jumbo deal
  - Corporate spreads tightened 1bps, from 88bps to 87bps, as demand remained healthy despite the heavy supply
- High-yield issuers were undeterred by the weaker market tone and brought over \$10 billion in new supply
  - Investor appetite for new issue remained resilient, but spreads widened in sympathy with equity market weakness, closing 11bps wider at 302bps
- Year-to-date new issue for collateralized loan obligations (CLOs) exceeded \$55 billion, compared to \$21 billion in 2020
- In the municipal market, \$150 billion of debt is projected to mature or be called in the next three months, which could lead to net negative supply and help keep muni/Treasury ratios depressed

### Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
5/12/2021	0.17	0.86	1.69	2.29	2.41
MTD Change	0.01	0.01	0.06	0.11	0.11

### 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.

The views contained in this report are those of IR+M and are based on information obtained by IR+M from sources that are believed to be reliable. This report is for informational purposes only and is not intended to provide specific advice, recommendations, or projected returns for any particular IR+M product. No part of this material may be reproduced in any form, or referred to in any other publication, without express written permission from Income Research & Management. BLOOMBERG® is a trademark and service mark of Bloomberg Finance L.P. and its affiliates (collectively "Bloomberg"). BARCLAYS® is a trademark and service mark of Barclays Bank Plc (collectively with its affiliates, "Barclays"), used under license. Bloomberg or Bloomberg's licensors, including Barclays, own all proprietary rights in the Bloomberg Barclays Indices. Neither Bloomberg nor Barclays approves or endorses this material, or guarantees the accuracy or completeness of any information herein, or makes any warranty, express or implied, as to the results to be obtained therefrom and, to the maximum extent allowed by law, neither shall have any liability or responsibility for injury or damages arising in connection therewith.