IR+M INCOME RESEARCH + MANAGEMENT

IR+M CLIENT UPDATE
April 2021

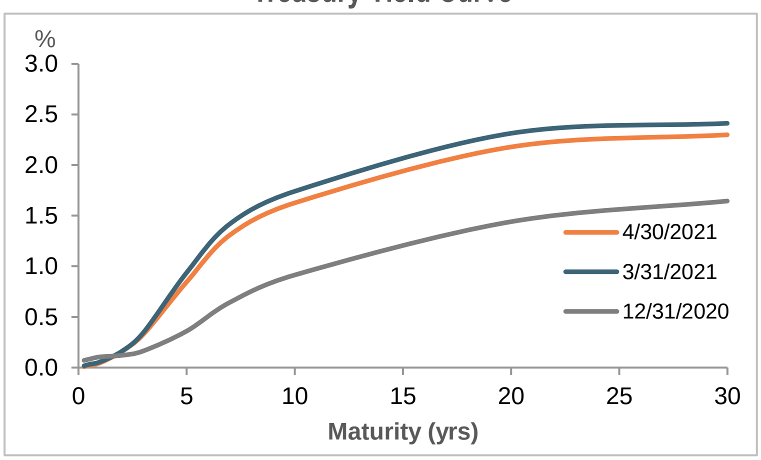
May 3, 2021

MARKET NEWS

- Although President Biden's tax proposal gave investors pause, a risk-on tone in the markets ensued in April amidst an increasing pace of vaccinations, improving labor conditions, and better-than-expected first quarter earnings
  - Personal consumption grew at its second-fastest rate since the 1960s to an annualized 10.7%; meanwhile, first quarter GDP increased at an annual rate of 6.4%, boosted by consumer spending
  - First quarter earnings surprised to the upside, with aggregate earnings 30% higher than estimates
- The Federal Open Market Committee (FOMC) meeting minutes reiterated the Federal Reserve's (Fed) commitment to keeping accommodative measures in place until "substantial further progress" has been made
- Treasury yields closed lower across the curve, as the Fed continued its supportive stance, pushing the 10-year down 11bps to 1.63%
- Investment-grade corporate issuance totaled $110 billion during the month, in-line with expectations; issuance was driven by the banking sector as the largest US banks priced almost $50 billion, far surpassing previous years
  - Corporate spreads were largely flat over the month, tightening 3bps from 91bps to 88bps as demand remained robust
- High-yield issuers continued to flood the market as April saw $49 billion in new issuance; year-to-date supply of nearly $198 billion is on track to become the busiest first-half year of issuance on record
  - Yield-seeking investors pushed spreads 19bps tighter from 310bps to 291bps; spreads hit a 14-year low of 290bps at the beginning of the month
- Issuance of asset-backed securities totaled roughly $91 billion, 50% higher than 2020, but on pace with 2019; new issue collateralized loan obligation sales broke through the $50 billion mark this year, lapping the $19 billion by this time last year
- Despite heavy issuance of $40 billion in April, municipals outperformed Treasuries, and the 10-year muni/Treasury ratio fell to 60% from 62%; investor demand remained strong on the prospects of higher capital gains and income taxes

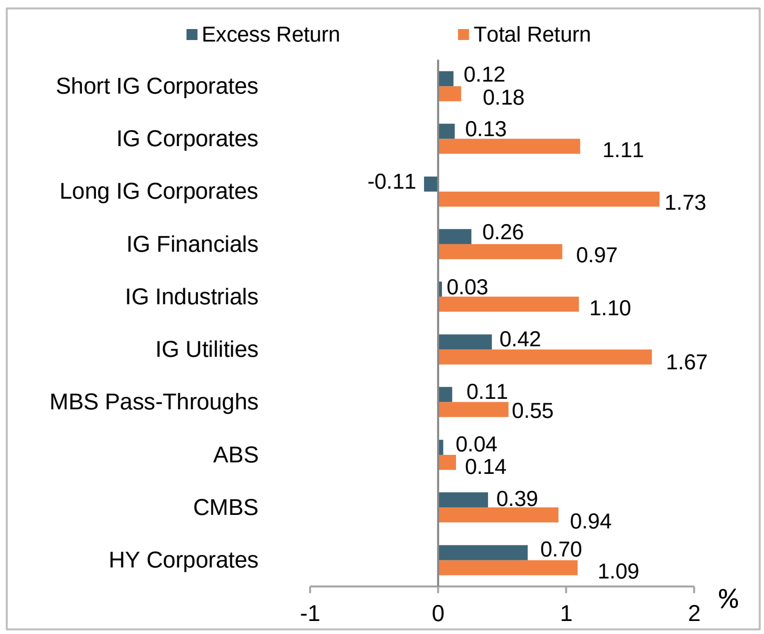
MARKET STATISTICS

Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
4/30/2021	0.16	0.85	1.63	2.18	2.30
MTD Change	0.00	-0.09	-0.11	-0.13	-0.11
YTD Change	0.04	0.49	0.71	0.74	0.65

MTD Returns



As of: 4/30/21. Sources: Bloomberg, Bloomberg Barclays.

Excess returns are the curve-adjusted excess return of a given index relative to a term structure-matched position in Treasuries.