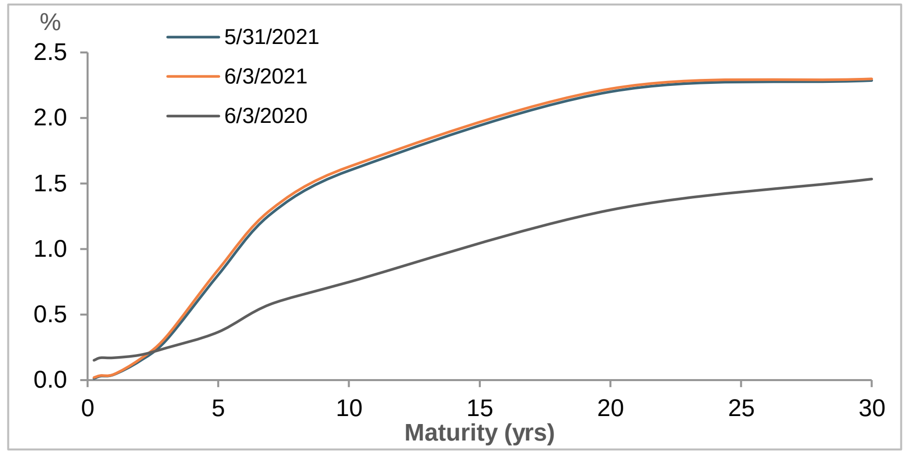
IR+M
INCOME RESEARCH + MANAGEMENT

IR+M CLIENT UPDATE
June 1 – June 4, 2021

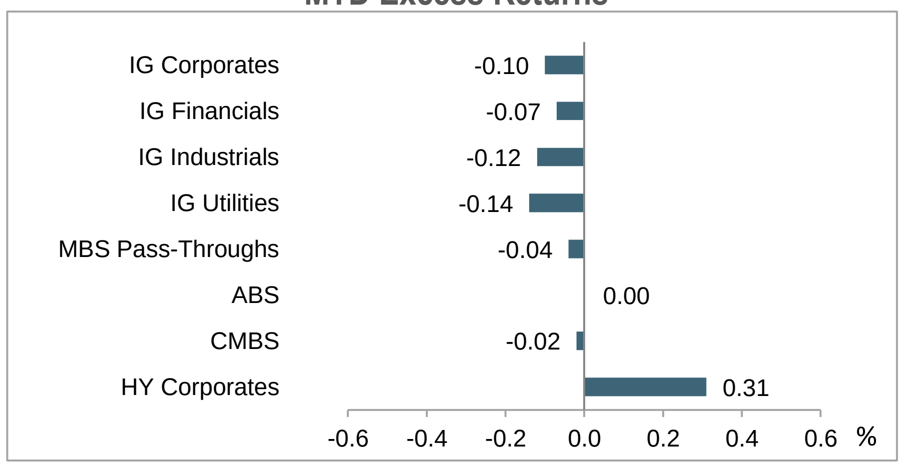
- Positive economic data and a surprise announcement from the Federal Reserve (Fed) about its credit facility led to mixed performance in risk assets, with Treasury rates starting the month of June on a higher note
  - May's nonfarm payrolls increased 559,000 from April's revised number of 278,000; though payrolls were below consensus estimates, the unemployment rate still fell from 6.1% to 5.8%
  - May's ISM Services and Manufacturing Indices were 64% and 61.2%, respectively, the 12th consecutive month of growth
- The Fed announced on Wednesday that it will wind down its Secondary Market Corporate Credit Facility (SMCCF), one of the emergency lending programs used during the pandemic to help stabilize credit markets
  - The facility currently holds approximately $5 billion of investment-grade bonds and $9 billion of high-grade and high-yield ETFs, representing approximately 6% of SMCCF's $250 billion capacity
- Investment-grade issuers priced over $20 billion for the week, which was in line with expectations of $20-25 billion
  - After closing at the tightest levels since February 2007, investment-grade spreads widened 1bp, from 84bps to 85bps
- High-yield supply was approximately $6 billion, as the rally in non-investment grade sectors continued to bring borrowers to the market
  - High-yield spreads tightened 1bp from 296bps to 295bps and yields closed at 4.05%, nearing the all-time low of 3.88%
- Asset-backed securities (ABS) outperformed other securitized sectors amid no new issues for the holiday-shortened week; supply is expected to return next week
- Though visible supply in the primary market finished the week over $14 billion, the highest level since March 17th, municipals outperformed Treasuries and the 10-year muni/Treasury ratio closed below 60%

Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
6/3/2021	0.16	0.84	1.63	2.22	2.30
MTD Change	0.02	0.04	0.03	0.02	0.02

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.