



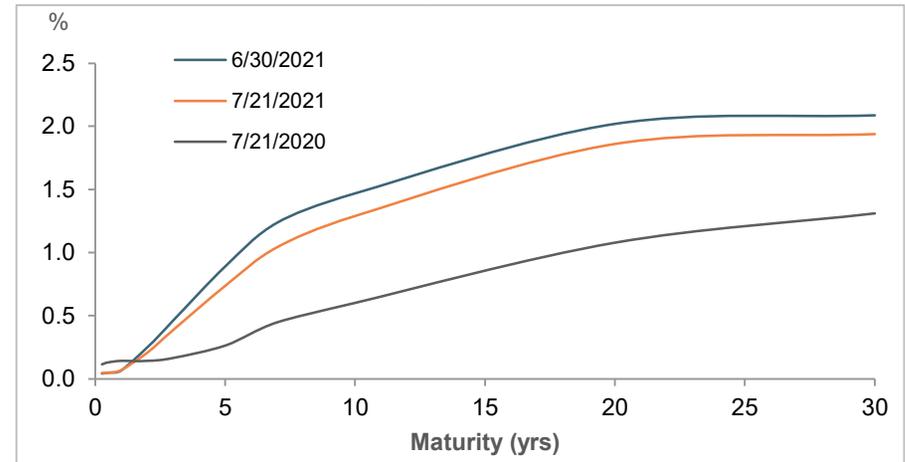
INCOME RESEARCH + MANAGEMENT

IR+M CLIENT UPDATE

July 16 – July 22, 2021

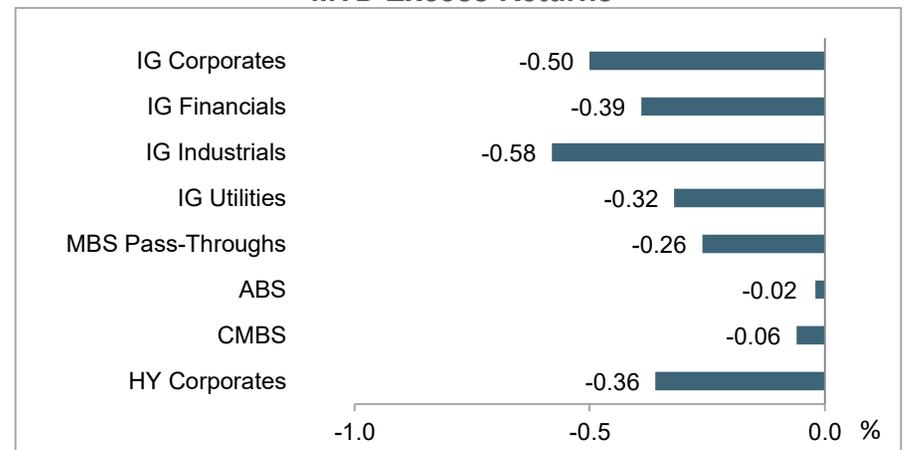
- Strong earnings and waning inflation expectations fueled a risk-on sentiment, overcoming resurging COVID concerns that led to a sell-off earlier in the week
 - The second quarter earnings growth rate is projected to be 69% year over year, the highest level on record
 - The 10-year Treasury yield plummeted 10bps to close at 1.19% on Monday, the largest single day drop in over 3 months; yields rose later in the week, closing at 1.29%
- Given the strength of the economic recovery, the Federal Reserve (Fed) is expected to accelerate its discussions of how to scale back monetary policy at next week's July FOMC
 - Markets expect the Fed to begin tapering asset purchases early next year
- Investment-grade corporate issuance was lighter than expected, pricing only \$10bn of a projected \$20-\$25 billion
 - Spreads recovered some of their widening early in the week on positive earnings and reduced supply, closing 3bps wider, from 84bps to 87bps
 - High-yield corporate issuers priced over \$5 billion, taking advantage of the rebound in sentiment later in the week
 - High-yield corporates had both their worst and best single day performance in several months, as spreads widened to 304bps but then bounced back to close only 18bps wider at 293bps
- Mortgage-backed securities (MBS) extended their underperformance on concerns of increased refinancing as the 30-year average mortgage rate fell from 2.88% to 2.78%
- In the municipal market, the supply/demand imbalance is expected to worsen; investors are set to receive nearly \$60 billion of principal and interest payments in August, which is when issuance typically slows

Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
7/21/2021	0.21	0.74	1.29	1.86	1.94
MTD Change	-0.04	-0.15	-0.18	-0.16	-0.15

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.