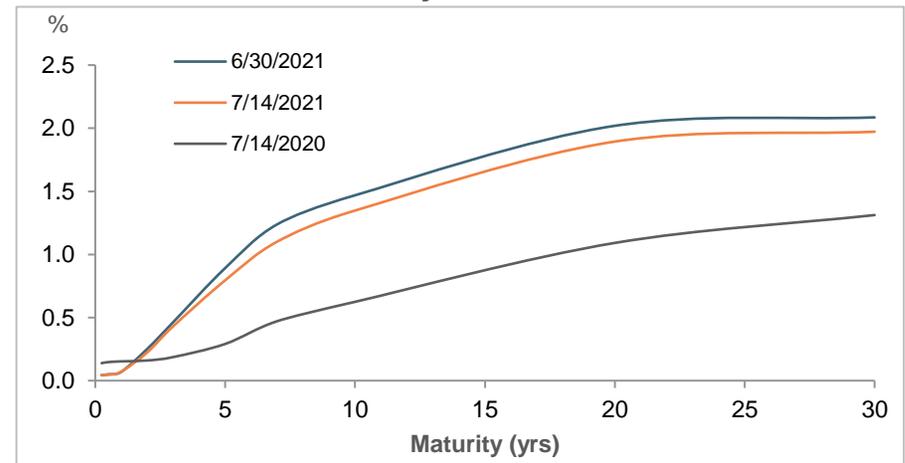




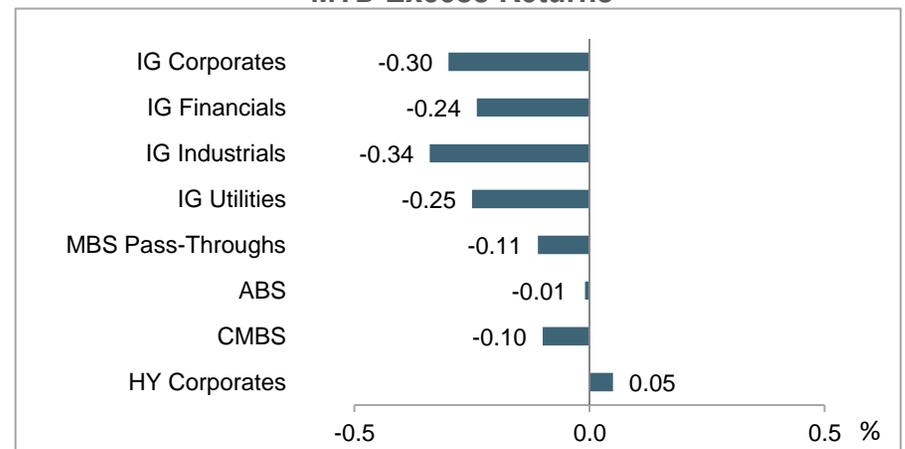
- Although equity markets approached all-time highs, fixed income performance was mixed, as investors weighed the news of the delta variant's spread, a dovish Federal Reserve (Fed), and a surprising inflation reading
 - June CPI accelerated 5.4% year-over-year, the highest increase since 2008, with one-third attributed to used cars and trucks; Core CPI rose 4.5%, the most in 30 years
 - Following the CPI release, the 10-year Treasury moved 6bps higher to close at 1.42%, and subsequently fell 7bps to close at 1.35% following Fed Chair Jay Powell's testimony that the higher CPI reading was due to a small group of sectors
- The Treasury auctioned 10- and 30-year notes to mixed participation, likely due to light summer trading volumes and the CPI release
 - While the 10-year auction of \$38 billion was well-received, at 1.37%, the 30-year auction of \$24 billion was weaker, at 2.00%
- Investment-grade corporate supply totaled approximately \$30 billion; issuance was dominated by the banking sector as many money-center banks began reporting second quarter earnings
 - Spreads modestly widened 1bp, from 83bps to 84bps, as investors digested the higher-than-expected CPI reading
- Issuance of high-yield corporates showed no signs of waning with over \$4 billion pricing for the week, pushing month-to-date supply to \$7 billion
 - Investors pulled over \$1 billion in the week ending 7/13, and spreads widened 12bps, from 263bps to 275bps
- Despite a 16% jump in the MBA Mortgage Applications index, mortgage-backed securities (MBS) outperformed other securitized sectors, supported by an increase in MBS purchases by the Fed
- The 10-year AAA municipal yield fell 4bps, from 91bps to 87bps, as investors continued to add to muni mutual funds

Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
7/14/2021	0.22	0.80	1.35	1.89	1.97
MTD Change	-0.03	-0.09	-0.12	-0.13	-0.12

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.

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