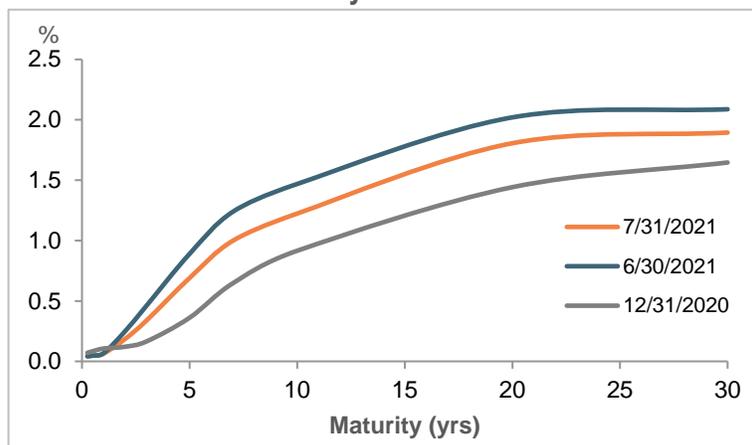


MARKET NEWS

- Despite robust corporate earnings and positive economic data, spread product underperformed Treasuries amidst concerns of slowing growth, which was exacerbated by the spread of the delta variant
 - The second quarter earnings growth rate is projected to be 85% year-over-year, the highest level since 2009
 - GDP expanded in the second quarter at an annual rate of 6.5%, below expectations, largely due to inventory shortages; however, the US economy is now larger than it was before the pandemic
- In the July FOMC meeting minutes, the Federal Reserve (Fed) acknowledged the economy has made “progress” toward the Fed’s employment and inflation goals, but is still not “substantial” enough to begin tapering
 - Despite a surprise June CPI reading of 5.4% year-over-year, the fastest pace since 2008, Treasury yields closed lower across the curve on slowing growth expectations and continued overseas demand
 - The 10-year Treasury fell 25bps from 1.47% to 1.22%, after reaching as low as 1.13% mid-month
- Supply was notably light, as roughly \$81 billion of investment-grade issuance fell short of an expected \$95 billion; although year-to-date issuance of \$877 billion is 29% behind last year’s pace, it is still 28% ahead of 2019
 - Corporate spreads modestly widened 6bps during the month from 80bps to 86bps, but remain near 5-year tight
- High-yield borrowers issued almost \$30 billion during the month, making it the busiest July on record
 - Although high-yield corporate spreads widened 26bps on the heavy issuance, from 268bps to 294bps, they remain well below the 5-year average of 404bps
- Collateralized loan obligations continued to approach an annual issuance record; with \$9 billion issued in July, year-to-date sales of \$90 billion surpassed the \$42 billion issued this time last year
- Total municipal issuance of \$41 billion during the month was offset by continued strong demand
 - Muni/Treasury ratios across the curve remained relatively unchanged month-over-month with the 10-year muni/Treasury ratio up 0.4% from 68.2% to 68.6%

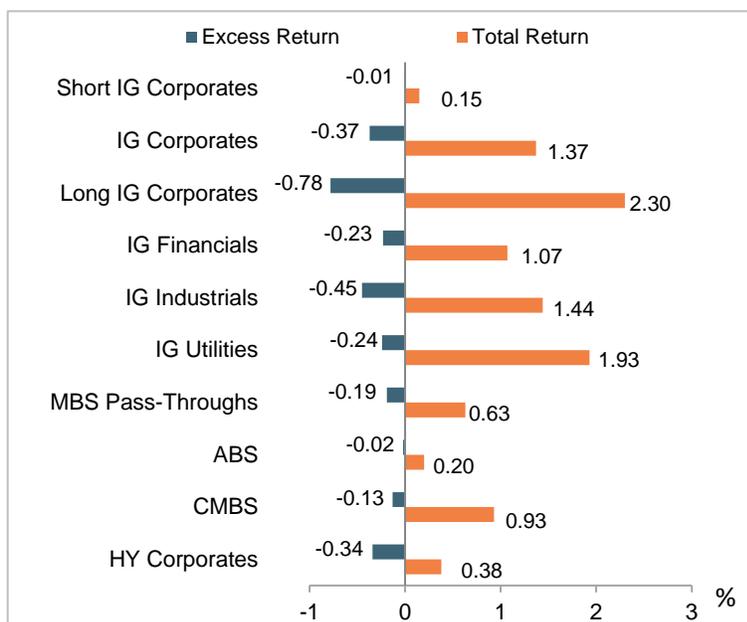
MARKET STATISTICS

Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
7/31/2021	0.19	0.69	1.22	1.81	1.89
MTD Change	-0.06	-0.20	-0.25	-0.21	-0.20
YTD Change	0.07	0.33	0.30	0.37	0.24

MTD Returns



As of: 7/31/21. 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. 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.