



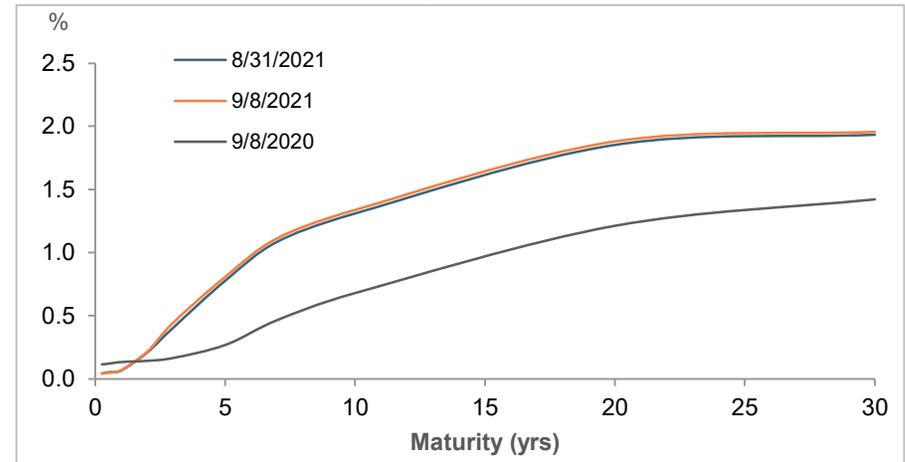
INCOME RESEARCH + MANAGEMENT

IR+M CLIENT UPDATE

September 1 – September 9, 2021

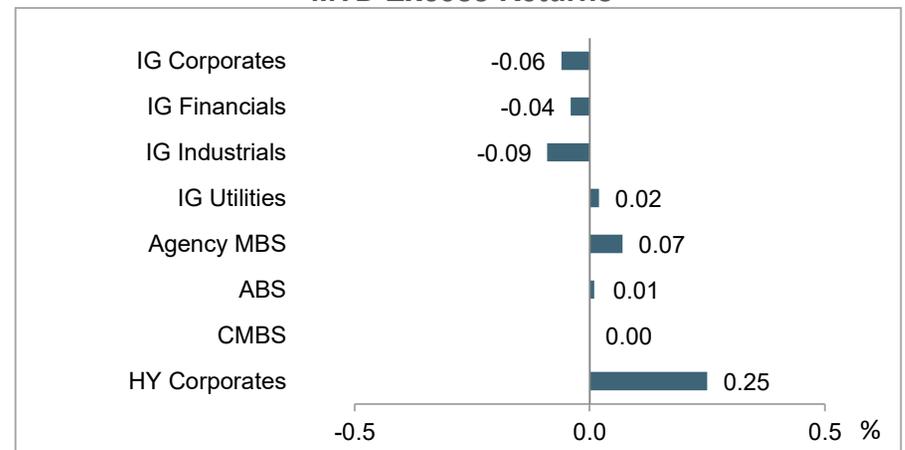
- Although markets had largely shrugged off weaker US economic data, sentiment soured later in the week as investors weighed slowing global growth and uncertainty around the timing of the Federal Reserve's (Fed) asset purchase taper
 - The growing impact of the Delta variant seeped into the labor market, as the US economy added 235,000 jobs in August, a marked decline from July and well-short of an expected 733,000
- While the Fed has not provided details, some Fed officials suggested an accelerated taper timeline would be appropriate, with asset purchases ending by the first half of 2022
 - The 10-year Treasury rate closed up 3bps at 1.34%; yields fell on Thursday, likely driven by foreign buying
- Investment-grade corporate issuance returned in force following the late-August slowdown, as issuers priced over \$70 billion of an expected \$45 billion; month-to-date supply has already exceeded 50% of the projected \$140 billion for September
 - Despite the deluge, demand remained robust and corporate spreads widened only 1bp, from 87bps to 88bps
- High-yield issuance had a slower start, with just over \$400 million priced; however, September is expected to be a heavy month, with initial estimates for new supply as high as \$60 billion
 - High-yield spreads tightened 6bps, from 288bps to 282bps, as yields continue to be attractive relative to higher-quality options
- In the securitized market, issuance of collateralized loan obligations (CLO) remained robust, with over \$2 billion already priced this month; strong demand has been driven by higher yields and structural protections
- In contrast to corporates, only \$4 billion of tax-exempt municipal issuance priced month-to-date; supply is expected to increase, with as much as \$30 billion projected for the remainder of the month

Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
9/8/2021	0.22	0.81	1.34	1.88	1.96
MTD Change	0.01	0.03	0.03	0.03	0.03

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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