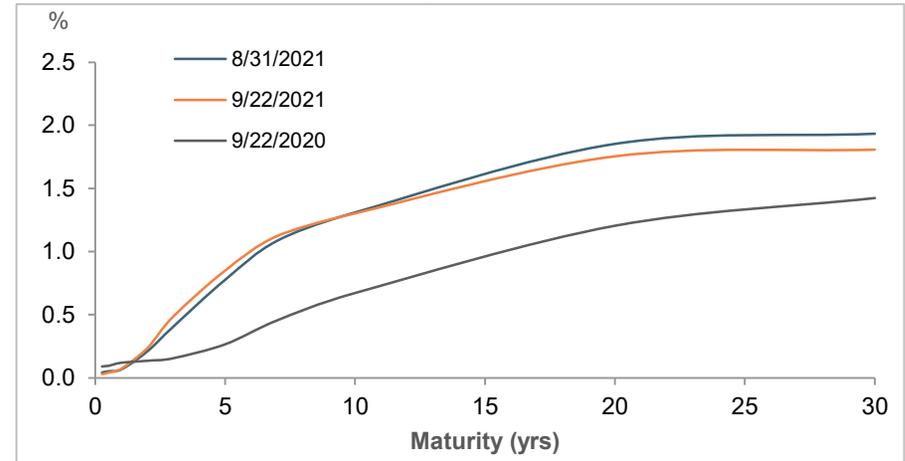




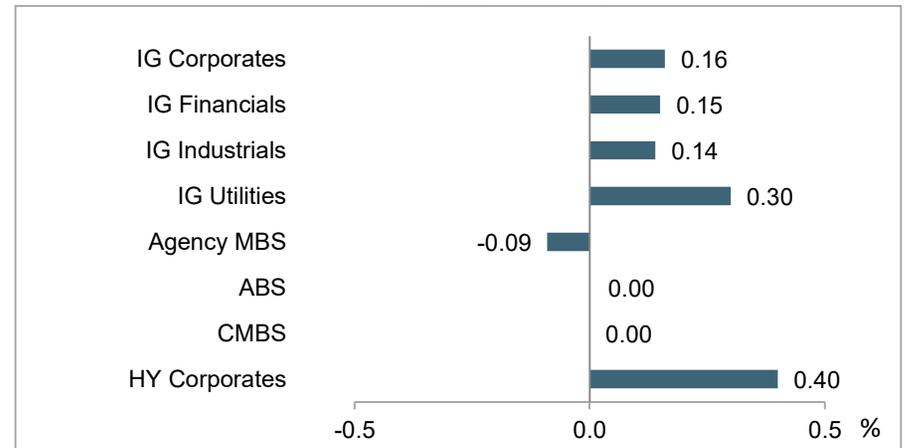
- Market sentiment was initially rattled by turmoil at a Chinese real estate developer, but quickly recovered as investors shrugged off concerns of financial contagion and reacted positively to the FOMC meeting
- FOMC meeting minutes showed that the Federal Reserve (Fed) believed enough progress had been made on its inflation and employment mandates that it could “easily move ahead” with a taper announcement at its next meeting
 - While no specific details were provided, Chairman Powell noted the taper would be “gradual” and likely conclude by mid-2022
 - Median projections of the fed funds rate increased to 1.00% by the end of 2023, up almost two rate hikes from June; more than half of the FOMC members expect a rate hike next year
- Treasury yields flattened on the announcement; the 10-year Treasury fell 4bps to 1.30% on expectations the Fed would keep inflation in check
 - Yields jumped on Thursday and equities rose, as markets continued to digest the more hawkish comments by the Fed
- Investment-grade corporate issuance underwhelmed, as issuers priced only \$14 billion of a projected \$25 billion
 - Corporate spreads were unchanged at 86bps, as the low supply offset any concerns of a contagion
- High-yield issuers flooded the market with over \$8 billion of supply, with an additional \$3 billion expected to price this week
 - Despite the heavy supply, spreads widened only 3bps to 280bps, retracing most of the widening from earlier in the week
- Agency mortgage-backed securities (MBS) underperformed, driven by a 4.9% increase in mortgage applications and the Fed’s taper announcement, which may be faster than expected
- Municipal demand remained strong; municipal bonds mutual funds saw over \$1.4 billion of inflows, the 28th straight week of inflows

Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
9/22/2021	0.24	0.85	1.30	1.76	1.81
MTD Change	0.03	0.07	-0.01	-0.09	-0.12

MTD Excess Returns



Sources: 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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