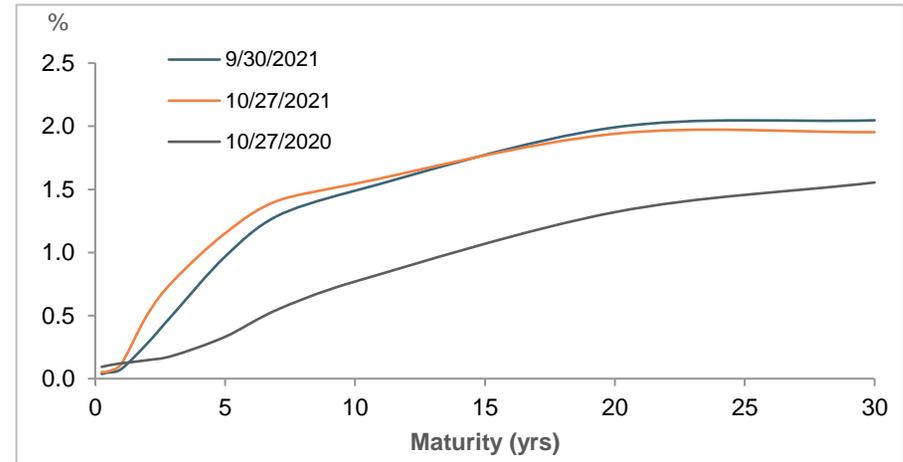




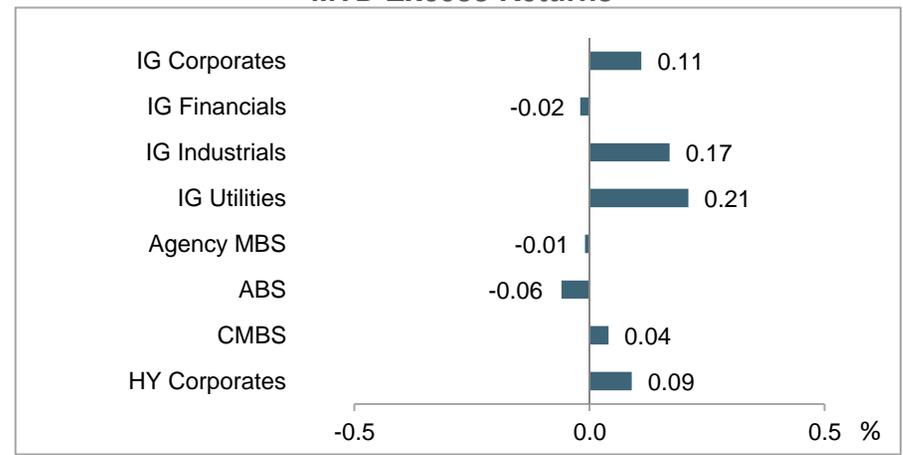
- Despite mostly positive economic data, the prospect of higher inflation and slower growth spooked fixed income investors, while equity markets continued to rally on strong earnings announcements
 - Markit Services PMI rose to 58.2, up from 54.9 in September, while the Manufacturing PMI fell slightly from 60.7 to 59.2; both indicators remain comfortably in expansion territory
 - GDP growth slowed in the third quarter to 2% year-over-year, constrained by supply chain disruptions and a COVID resurgence
 - Inflation expectations rose to their highest levels since 2006, with the 5-year and 10-year breakevens closing as high as 2.98% and 2.69%, respectively
- Treasury yields largely fell across the curve, with the 10-year Treasury closing at 1.54%, down 16bps week-over-week; however, the 2-year yield rose 5bps to 0.50% as markets priced in expected rate increases
- Falling yields enticed borrowers, and investment-grade corporate issuers priced \$19 billion of a projected \$15 - \$20 billion
 - The new supply was well-received, and corporate spreads were unchanged at 85bps
- High-yield corporate issuers brought \$4 billion of new debt; month-to-date issuance of almost \$30 billion is the third busiest October on record
 - Although spreads crept 4bps wider, from 285bps to 289bps, demand remained healthy; US high-yield funds have seen almost \$3.5 billion of inflows in the last two weeks
- Continued issuance in asset-backed securities (ABS) weighed on returns; over \$10 billion has priced so far this week, and year-to-date issuance of \$263 billion is already the highest calendar year total on record
- Long maturity municipal bonds underperformed Treasuries as the possibility of future tax hikes seems less certain amidst political gridlock; the 30-year muni/Treasury ratio rose to 88.8%, the highest level all year

Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
10/27/2021	0.50	1.15	1.54	1.94	1.95
MTD Change	0.22	0.18	0.05	-0.05	-0.10

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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