IR+M CLIENT UPDATE
September 2021

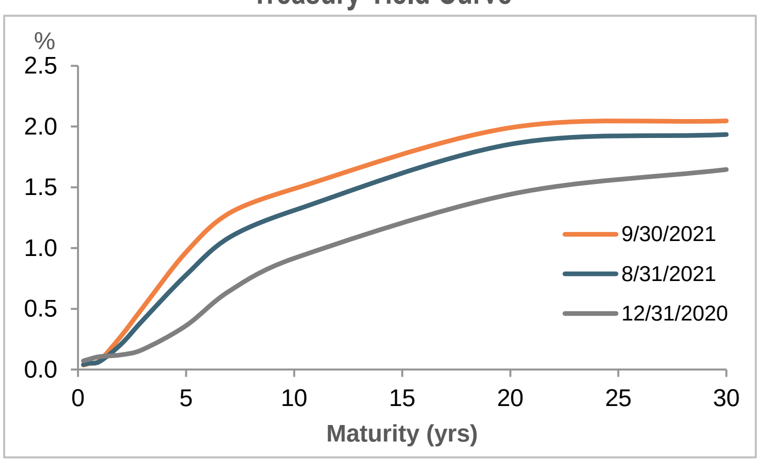
October 1, 2021

MARKET NEWS

- Volatility returned in September, as investors weighed weaker economic data and negative headlines surrounding China's property sector; sentiment rebounded amid easing fears of a financial contagion and a positive reaction to the FOMC meeting, although the unexpectedly hawkish tone and ongoing debt ceiling showdown weighed on markets
    - The US economy added 235,000 jobs in August, well-short of a projected 733,000; August CPI rose 5.3% year-over-year, down slightly from 5.4% in July
    - The Conference Board revised its forecast of US real GDP growth to 5.5% in the third quarter, down from 6.6% in the second quarter, amid a recent decline in consumer confidence
- In the September FOMC meeting minutes, the Federal Reserve (Fed) noted that 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
    - Fed Chair Powell indicated that the taper would be "gradual" and likely conclude by mid-2022
    - Treasury yields closed higher over the month as markets digested the more hawkish comments by the Fed; the 10-year Treasury yield rose 18bps, from 1.31% to 1.49%, 13bps of which occurred the day after the Fed meeting
- Investment-grade corporate issuance returned in force following the late August slowdown with issuers pricing over $158 billion in September, surpassing projections of $140 billion; the first week in September marked the busiest week in primary market history with $80 billion issued
    - Despite the heavy supply, corporate spreads tightened 3bps, from 87bps to 84bps, as demand remained robust
- High-yield corporate issuers continued to flood the market, pricing $44 billion during the month, as they rushed to capitalize on the low cost of borrowing before rates increased further; high-yield spreads widened 1bp to 289bps from 288bps
- Issuance of asset-backed securities (ABS) reached $232 billion issued year-to-date, 47% higher than the $158 billion priced by this time last year
- Munis continued to underperform Treasuries across the curve, with the 10-year muni/Treasury ratio increasing 3% to 75%, the highest level since March 2021

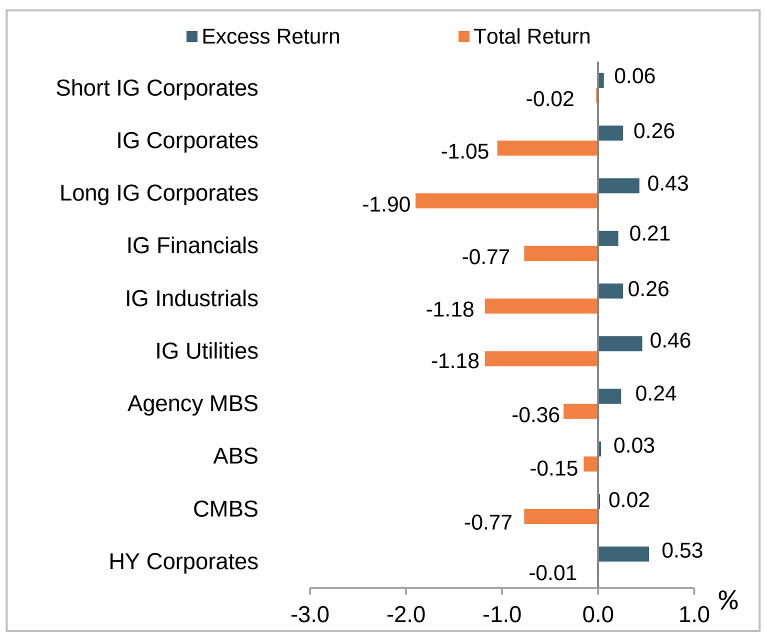
MARKET STATISTICS

Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
9/30/2021	0.28	0.97	1.49	1.99	2.05
MTD Change	0.07	0.19	0.18	0.14	0.12
YTD Change	0.16	0.61	0.57	0.55	0.40

MTD Returns



As of: 9/30/21. Sources: Bloomberg

Excess returns are the curve-adjusted excess return of a given index relative to a term structure-matched position in Treasuries.