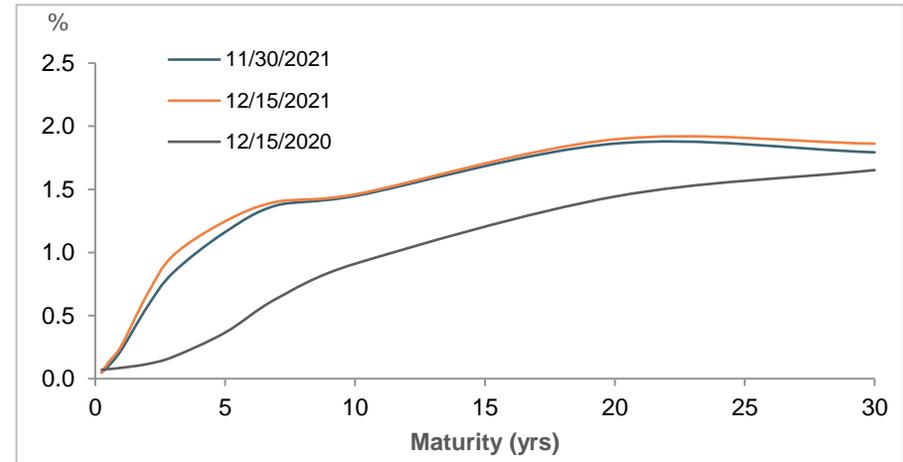




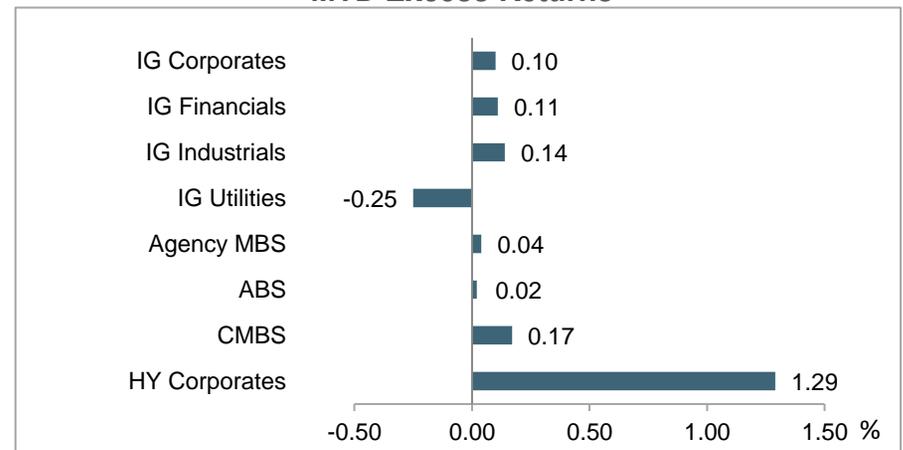
- Major central banks announced varying approaches to combating a steady increase in inflation, causing mixed risk asset performance
 - In November, US CPI reached a near four-decade high of 6.8% YoY, which was driven by an increase in new and used vehicles and shelter costs
- The Federal Reserve (Fed) unanimously heralded a swifter end to the taper; monthly asset purchases will be reduced by \$30 billion, and will likely end by March, three months earlier than expected
 - Fed officials paved the way for eight rate hikes through 2024, with three hikes in 2022; this was a notable change from September, when some officials believed rate increases would begin in 2023
 - The Fed revised its economic projections upward from September, with PCE inflation increasing to 5.3% in 2021, 2.6% in 2022, and 2.3% in 2023; longer-run projections remain at 2%
 - Following the announcement, Treasury yields rose across the curve from Tuesday's levels, with the 2-year increasing from 0.66% to 0.68% and the 10-year increasing from 1.44% to 1.46%
- Investment-grade supply reached over \$38 billion, beating expectations of \$20-25 billion, and likely marking the last week of issuance for the year
 - Spreads widened 3bps, from 95bps to 98bps, on heavy supply
- Issuance in the high-yield market slowed to \$2 billion for the week, bringing the month's total to approximately \$9 billion
 - The Bloomberg High Yield Index yield increased from 4.40% to 4.52% as investors paused ahead of the Fed; spreads widened from 294bps to 306bps
- Agency mortgage-backed securities (MBS) underperformed other securitized sectors following the Fed's taper announcement
- Despite the exclusion of advanced refundings on tax-exempt bonds and the Build America Bond program from President Biden's infrastructure bill, 2021 municipal debt sales reached over \$457 billion

Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
12/15/2021	0.67	1.25	1.46	1.90	1.86
MTD Change	0.10	0.09	0.01	0.04	0.07

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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