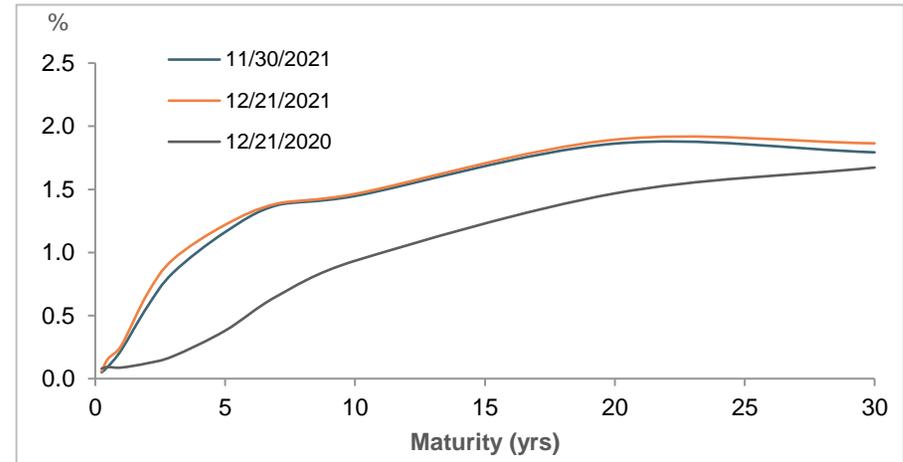




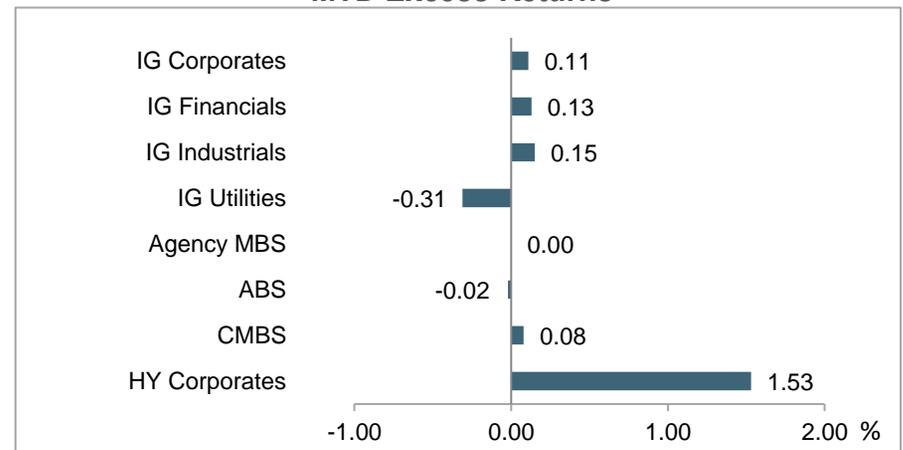
- Investor sentiment was challenged early in the week as the Biden administration's Build Back Better plan was dealt a setback and concern grew over the Omicron variant; however, risk appetite perked up on positive economic data
  - The Consumer Confidence Index increased in December and was revised upward in November, suggesting the current economic expansion could continue into 2022
- After the Federal Reserve (Fed) announced its revised taper schedule, one Fed official suggested a rate hike could be appropriate at the March meeting, with a reduction in the Fed's balance sheet starting in the summer
  - Markets expect an initial rate hike by June, with two more in 2022
- The Treasury yield curve was relatively unchanged; the difference between the 10- and 2-year yield was 79bps, 4bps off the year-to-date tight
  - A flatter yield curve could suggest the market believes future economic growth will be diminished, although heavy demand from pension funds may also be a contributor
- The investment-grade primary market was quiet, with no additional issuance expected for the remainder of the year; spreads were flat at 98bps
  - Over \$1.4 trillion has been priced year-to-date, and projections for 2022 call for a similar level of issuance
- High-yield issuance also dried up and likely closed the year at almost \$458 billion, the highest annual total on record
  - The Bloomberg High Yield Index yield dropped from 4.52% to 4.39%, aided by over \$1.7 billion in inflows into retail high-yield funds; spreads narrowed from 306bps to 299bps
- Over \$311 billion of asset-backed securities (ABS) were priced in 2021, 55% more than the previous year; 2022 supply is expected to moderate, with estimates hovering around \$290 billion
- Retail demand remained strong for municipal bonds, with over \$660 million of inflows into mutual funds and ETFs

Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
12/21/2021	0.67	1.22	1.46	1.89	1.86
MTD Change	0.10	0.06	0.01	0.03	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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