IR+M CLIENT UPDATE
November 2021

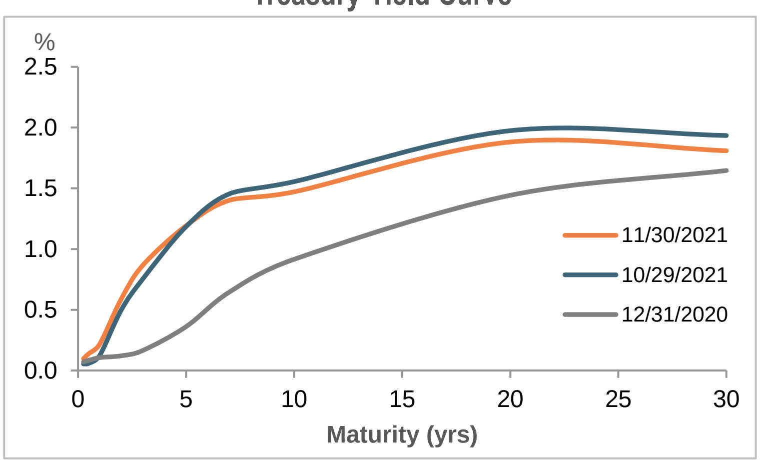
December 1, 2021

MARKET NEWS

- Despite some positive economic data, volatility in November increased and investors became more risk averse, particularly later in the month, on persistent inflation concerns, the emergence of a new Covid variant, and a likely acceleration in the unwinding of Federal Reserve (Fed) support
    - The Consumer Price Index (CPI) increased 6.2% year-over-year, the highest increase in 30 years
- At the November meeting, the Fed announced that they would begin tapering asset purchases by $15 billion in November and December, and noted that they continued to believe that inflation is transitory
    - However, in a Congressional testimony later in the month, Fed Chair Jerome Powell acknowledged the risk of higher inflation, indicating that the Fed might accelerate the pace of tapering and raise rates sooner than expected
- The Treasury yield curve continued to flatten in November as investors weighed the possibility for sooner-than-anticipated rate hikes and the potential impact of the new Covid variant on long-term economic growth; the difference between the 30-year and 5-year Treasury rate reached a year-to-date low of 62bps
- Investment-grade corporate issuers took advantage of the lower rates, borrowing roughly $112 billion, and exceeding estimates of $100 billion; new issue concessions increased during the month, suggesting investor demand was waning
    - Investment-grade spreads widened by 12bps, from 87bps to 99bps, amid the heavy supply and weaker demand
- High-yield corporates closed the month with the lowest total return since September 2020, as yields increased by 57bps to close at 4.80%, the largest month-over-month increase in 20 months
    - High-yield supply slowed to the lightest it has been since July 2020, with issuers pricing only about $29 billion
- Post-crisis record supply of asset-backed securities (ABS) continued to weigh on performance with November's $38 billion of issuance marking the busiest month this year
- The House passed a $1.2 trillion infrastructure package earlier in the month, pushing muni/Treasury ratios lower across the curve; munis outperformed Treasuries during the month as investors continue to pour cash into tax-exempt debt

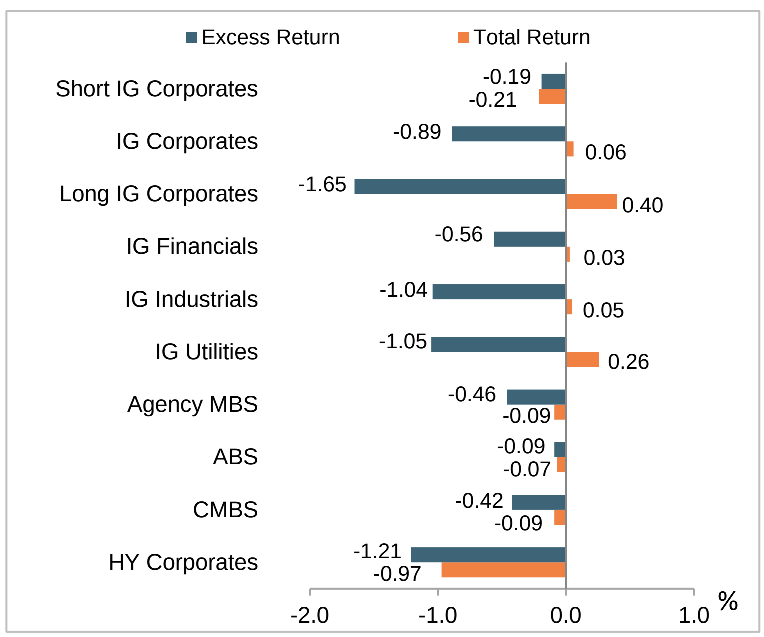
MARKET STATISTICS

Treasury Yield Curve



Maturity	2-year	5-year	10-year	20-year	30-year
11/30/2021	0.59	1.19	1.47	1.88	1.81
MTD Change	0.09	0.00	-0.09	-0.09	-0.12
YTD Change	0.47	0.83	0.55	0.44	0.16

MTD Returns



As of: 11/30/21. Sources: Bloomberg

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