



Summary

- Treasury yields were higher last week with the curve steeper as the twos-to-tens curve reached its highest level since June. A Democratic sweep leading to a large fiscal stimulus plan continues to drive the market. The 10-year Treasury yield is approximately 20 basis points (bps) higher since the end of September.
- Tax-exempt bonds ended the busy week on a quiet note Friday as participants took a breather in between two sizable weekly supply calendars. Despite declining inflows into municipal bond funds, demand has managed to keep pace with issuance, which has seen roughly \$30 billion in taxable and tax-exempt supply over the last 14 days.
- New issue volume in credit remained relatively light with earnings blackouts. Most companies appear to have taken care of their funding needs well ahead of the election. Barclays noted that October redemptions are \$85 billion, so with month-to-date supply of just \$63 billion, it's possible that this could be a negative net supply month, which would be the first such occurrence (aside from Decembers) since 2010.

Treasury Yields

Term	Treasury Yield	Δ MTD	Δ YTD
1 Year	0.12	0.00	-1.45
2 Year	0.16	0.03	-1.41
5 Year	0.38	0.10	-1.31
10 Year	0.84	0.16	-1.07
30 Year	1.64	0.19	-0.75

Tax-Exempt

NYC Attracting New Residents?

- Contrary to popular belief, more people headed to New York City during the pandemic than left according to Orbital Insight, a California-based company that tracks the movement of goods and people through an analysis of cell phone data. Per the company's analysis, the five most popular relocation destinations between March and September were Tampa, Phoenix, New York City, Miami and Orlando.

CA Revenues Surpass Expectations

- California collected \$54.1 billion in the first quarter of fiscal year 2021, which ended September 30, \$8.7 billion more than expected. The largest driver was personal income tax, which came in 48% higher than expectations. Sales taxes totaled 27% above forecast and corporation taxes were 33% over estimates.

CT Financials Better Than Feared

- Connecticut's estimated budget gap declined to \$1.3 billion for fiscal year 2021, a 40% drop from the prior month's estimate. Revenue was revised by \$454 million on "healthy" payments on capital gains and partnerships while payroll and sales taxes exceeded targets.

Municipal Yields

Term	Municipal Yield	Δ MTD	Δ YTD	Tax-Equivalent Yield	Municipal/Treasury Ratio (%)	Δ MTD	Δ YTD
1 Year	0.17	0.05	-0.87	0.26	145.67	42.84	79.26
2 Year	0.18	0.05	-0.86	0.28	115.83	13.47	49.55
5 Year	0.28	0.02	-0.81	0.43	74.37	-19.56	9.91
10 Year	0.96	0.09	-0.48	1.48	113.89	-13.30	38.79
30 Year	1.74	0.12	-0.35	2.68	106.03	-5.29	18.57

Taxable

Credit Continues to Grind Tighter as the Election Nears

- Investment grade credit tightened 2 bps to 123 bps last week as polls in the presidential race held steady and the market seems to be getting comfortable with a fully-Democratic government. Pelosi and Mnuchin continued to negotiate and made several comments on being close to a deal, but the possibility of the Senate passing a deal before the election seems increasingly unlikely.

Higher Rates Attracting Overseas Buyers

- Higher rates have finally begun attracting the overseas and insurance buyers back to the market, further supporting technicals. Overseas investors returned in force to the long end and bought a net \$1 billion. Investment grade saw inflows of \$8.9 billion last week.

M&A within Energy

- Conoco agreed to buy Concho Resources and Pioneer bought Parsley Energy in all-stock deals. Consolidation in the industry should help exploration and production companies (E&Ps) lower production costs and creates larger, more diversified companies, which carries value with the ratings agencies. This explains why energy finally reversed the recent underperformance despite West Tex Intermediate (WTI) dipping back below \$40.



Sectors¹

	Duration	Spread	Δ MTD	Δ YTD	52-Week High	52-Week Low
Investment Grade Corporate	8.67	123	-13	30	373	93
-Financial	6.58	111	-15	31	378	80
-Industrial	9.38	128	-12	29	383	99
-Utility	11.02	129	-12	32	298	95
High Yield	3.67	468	-49	132	1100	315
Securitized	2.58	59	-5	17	135	39
-Commercial Mortgage-Backed Securities	5.29	103	-3	31	260	64
-Asset-Backed Securities	2.13	39	-2	-5	325	27
-Mortgage-Backed Securities	2.37	55	-6	16	132	28

International Yields

	Germany	Japan	U.K.	France	Italy	Spain	Greece
2 Year	-0.76	-0.13	-0.03	-0.68	-0.34	-0.55	--
5 Year	-0.77	-0.09	-0.03	-0.65	0.13	-0.28	0.37
10 Year	-0.57	0.04	0.28	-0.30	0.76	0.20	0.92
30 Year	-0.15	0.65	0.85	0.39	1.67	1.00	--

Equity

	Current	Δ MTD	Δ YTD
Dow Jones	28,335.57	553.87	-202.87
S&P 500	3,465.39	102.39	234.61
Nasdaq	11,548.28	380.77	2575.68

Volatility

	Current	Δ MTD	Δ YTD
VIX	27.55	1.18	13.77
MOVE	58.46	19.25	0.18

Commodities

	Current	Δ MTD	Δ YTD
CRB	150.68	2.18	-35.10
Gold	1,905.20	9.70	382.10
Oil	39.85	-0.37	-21.21
Gas	113.89	-4.27	-55.16

Central Bank Rates

	Current	Δ MTD	Δ YTD
United States	0.25	0.00	-1.50
Europe	0.00	0.00	0.00
United Kingdom	0.10	0.00	-0.65
Japan	0.10	0.00	0.00
Canada	0.25	0.00	-1.50
TED Spread	13.0	-0.33	-23.45

Currency

	Current	Δ MTD	Δ YTD
U.S. Dollar	92.768	-1.118	-3.677
Euro	1.186	0.014	0.065
Pound	1.304	0.012	-0.021
Yen	104.710	-0.770	-4.050
Canadian Dollar	1.313	-0.019	0.014
Franc	0.904	-0.017	-0.063

As of 10.23.2020. Source: Bloomberg. Please see page 3 for important disclosures and definitions.

¹Sectors are represented by the following indices: Investment Grade Corporate – Bloomberg Barclays U.S. Corporate Bond; Financial – Bloomberg Barclays U.S. Aggregate Investment Grade Finance; Industrial – Bloomberg Barclays U.S. Aggregate Investment Grade Industrial; Utility – Bloomberg Barclays U.S. Investment Grade Utility; High Yield – Bloomberg Barclays U.S. Corporate High Yield; Securitized – Bloomberg Barclays U.S. Securitized; Commercial Mortgage-Backed Securities – Bloomberg Barclays U.S. Aggregate CMBS; Asset-Backed Securities – Bloomberg Barclays U.S. Aggregate ABS; Mortgage-Backed Securities – Bloomberg Barclays U.S. Aggregate MBS.



Technical Terms

Duration: a measure of the sensitivity of the price of a bond or other debt instrument to a change in interest rates

Municipal/Treasury Ratio: a comparison of the current yield of municipal bonds to U.S. Treasuries

Tax-Equivalent Yield: the return that is required on a taxable investment to make it equal to the return on a tax-exempt investment

TED Spread: the difference between the three-month Treasury bill and the three-month LIBOR based in U.S. dollars

Yield: the earnings generated and realized on an investment over a particular period of time

Yield Spread: the difference between the quoted rates of return between two different investment vehicles; also called the credit spread

Index Definitions

The volatility of an index varies greatly; all indices are unmanaged and investments cannot be made directly in an index.

Bloomberg Barclays U.S. Aggregate ABS Index: A component of the Bloomberg Barclays U.S. Aggregate Index, the Bloomberg Barclays U.S. Aggregate ABS Index includes pass-through, bullet and controlled amortization structures. The Index includes only the senior class of each ABS issue and the ERISA-eligible B and C tranche.

Bloomberg Barclays U.S. Aggregate CMBS Index: A component of the Bloomberg Barclays U.S. Aggregate Index, the Bloomberg Barclays U.S. Aggregate CMBS Index includes investment grade securities that are ERISA-eligible under the underwriter's exemption.

Bloomberg Barclays U.S. Aggregate MBS Index: A component of the Bloomberg Barclays U.S. Aggregate Index, the Bloomberg Barclays U.S. Aggregate MBS Index covers the mortgage-backed pass-through securities of Ginnie Mae (GNMA), Fannie Mae (FNMA) and Freddie Mac (FHLMC). The Index is formed by grouping the universe of over 600,000 individual fixed rate MBS pools into approximately 3,500 generic aggregates.

Bloomberg Barclays U.S. Aggregate Investment Grade Finance Index: A component of the Bloomberg Barclays U.S. Corporate Bond Index, the Bloomberg Barclays U.S. Aggregate Investment Grade Finance Index measures publicly issued investment grade U.S. corporate bonds in the Finance sector.

Bloomberg Barclays U.S. Aggregate Investment Grade Industrial Index: A component of the Bloomberg Barclays U.S. Corporate Bond Index, the Bloomberg Barclays U.S. Aggregate Investment Grade Finance Index measures publicly issued investment grade U.S. corporate bonds in the Industrial sector.

Bloomberg Barclays U.S. Aggregate Investment Grade Utility Index: A component of the Bloomberg Barclays U.S. Corporate Bond Index, the Bloomberg Barclays U.S. Aggregate Investment Grade Finance Index measures publicly issued investment grade U.S. corporate bonds in the Utility sector.

Bloomberg Barclays U.S. Corporate Bond Index: The Bloomberg Barclays U.S. Corporate Bond Index measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD-denominated securities publicly issued by U.S. and non-U.S. industrial, utility and financial issuers.

Bloomberg Barclays U.S. Corporate High Yield Bond Index: The Bloomberg Barclays U.S. Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below.

Bloomberg Barclays U.S. Securitized Index: Bloomberg Barclays U.S. Securitized Index is comprised of predominantly MBS Agency securities, but also includes ABS, CMBS and covered securities. Bloomberg Barclays U.S. Treasury Strips 20+ Year Index tracks the performance of zero coupon U.S. Treasuries with a duration of 20 years or more.

CRB: The Commodity Research Bureau (CRB) Index acts as a representative indicator of today's global commodity markets. It measures the aggregated price direction of various commodity sectors.

Dow Jones: The Dow Jones Industrial Average (DJIA) is an index that tracks 30 large, publicly-owned blue chip companies trading on the New York Stock Exchange (NYSE) and the NASDAQ

ICE BofAML 1-10 Year Municipal Securities Index: The ICE BofAML 1-10 Year Municipal Securities Index is a subset of the ICE BofAML U.S. Municipal Securities Index including all securities with a remaining term to final maturity less than 10 years.

MOVE: The MOVE Index is a well-recognized measure of U.S. interest rate volatility that tracks the movement in U.S. Treasury yield volatility implied by current prices of one-month over-the-counter options on 2-year, 5-year, 10-year and 30-year Treasuries.

Nasdaq: The Nasdaq Composite Index is the market capitalization-weighted index of over 2,500 common equities listed on the Nasdaq stock exchange. The types of securities in the index include American depositary receipts, common stocks, real estate investment trusts (REITs) and tracking stocks, as well as limited partnership interests. The index includes all Nasdaq-listed stocks that are not derivatives, preferred shares, funds, exchange-traded funds (ETFs) or debenture securities.

S&P 500: The S&P 500 Index is widely regarded as the best single gauge of the U.S. equities market. The index includes a representative sample of 500 leading companies in leading industries of the U.S. economy. The S&P 500 Index focuses on the large-cap segment of the market; however, since it includes a significant portion of the total value of the market, it also represents the market.

VIX: The CBOE Volatility Index, or VIX, is a real-time market index representing the market's expectations for volatility over the coming 30 days.

West Texas Intermediate: West Texas Intermediate (WTI) is a crude oil that serves as one of the main global oil benchmarks. It is sourced primarily from Texas and is one of the highest quality oils in the world, which is easy to refine. WTI is the underlying commodity for the NYMEX's oil futures contract.

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