



Summary

- Fears of increasing lockdowns drove Treasury yields lower as record COVID-19 infections resulted in more restrictive pandemic measures for several cities across the country. The news of a 90% effective vaccine from Pfizer got the market off to a fast start, but by Friday all losses were erased for government bonds.
- Credit saw the best single-day performance since June following the news on Monday that the Pfizer COVID-19 vaccine is 90% effective. Investment grade tightened 7 basis points (bps) while high yield tightened 41 bps on the news pushing both indices to their post-pandemic tights. However, the euphoria didn't last long as supply picked up and the reality of the current COVID-19 wave set in. Spreads gave up about 75% of Monday's gains on Thursday after investors rushed to take profits. For the week, investment grade spreads tightened 3 bps to 114 bps and high yield tightened 7 bps to 435 bps with COVID-19 sectors outperforming.
- Municipals continued to outperform as new issue supply remained extremely light for a second consecutive week. This in conjunction with mutual fund inflows of more than \$1 billion set the stage for a positive technical environment for tax-free bonds.

Treasury Yields

Term	Treasury Yield	Δ MTD	Δ YTD
1 Year	0.12	0.00	-1.45
2 Year	0.18	0.03	-1.39
5 Year	0.41	0.02	-1.28
10 Year	0.90	0.02	-1.02
30 Year	1.65	-0.01	-0.74

Tax-Exempt

Revenues Ahead of Expectations

- We continue to see state revenue come in a head of expectations with the release of sales tax figures through the summer months on re-opening efforts. From April 1 through September 30, New York State has collected \$1.1 billion more than expected. On its current course, which is very uncertain, the state is on track to come in \$3.8 billion ahead of expectations.
- Illinois' sales taxes have outperformed expectations thus far in fiscal year 2021 as well with sales taxes showing year-over-year growth from July 1 through October 31. Connecticut is now forecasting to receive \$18.8 billion in general fund revenue in fiscal year 2021, a \$326.6 million increase from the treasurer's forecast just a month ago. The state is still on pace to close fiscal year 2021 with a deficit, but this deficit has now declined to \$900 million.

Downgrades Continue to Outpace Upgrades

- Moody's reported that public finance downgrades outpaced upgrades for the second consecutive quarter at 73 to 72. This is the first time there have been six consecutive months of downgrades outpacing upgrades since 2014.

Municipal Yields

Term	Municipal Yield	Δ MTD	Δ YTD	Tax-Equivalent Yield	Municipal/Treasury Ratio (%)	Δ MTD	Δ YTD
1 Year	0.17	-0.03	-0.87	0.26	145.67	-25.71	79.26
2 Year	0.18	-0.03	-0.86	0.28	100.56	-37.15	34.28
5 Year	0.26	-0.04	-0.83	0.40	64.01	-14.04	-0.45
10 Year	0.81	-0.12	-0.63	1.25	90.37	-16.07	15.27
30 Year	1.55	-0.16	-0.54	2.38	94.12	-8.91	6.65

Taxable

Strong Corporate New Issuance Following the Election

- After taking most of election week off, the new issue market quickly made up for lost time with several large deals. Total supply for the week was \$43.4 billion in investment grade, marking the biggest week since mid-September. Verizon issued \$12 billion in the fifth-largest deal this year. JP Morgan and Barclays both released their estimates for 2021 supply last week. Barclays is calling for \$1.125 trillion while JP Morgan estimates \$1.2 trillion. Both would be huge drops from this year, but increases from 2019.

Positive Inflows in Investment Grade and High Yield

- Flows remained positive last week, totaling \$5.1 billion in investment grade and \$3.1 billion of inflows in high yield. Over the past two weeks, high yield unwound all of the outflows from the second half of October, although much of this was front-end loaded and ETFs saw fairly sizable outflows on Tuesday and Thursday. Overnight activity remained extremely heavy and tilted towards better buying. Overseas investors bought a net \$1.8 billion in 7 year+ maturity investment grade bonds last week. Investors were better buyers of energy and better sellers of communications and financials.



Sectors¹

	Duration	Spread	Δ MTD	Δ YTD	52- Week High	52-Week Low
Investment Grade Corporate	8.77	114	-11	21	373	93
-Financial	6.64	102	-10	22	378	80
-Industrial	9.50	120	-11	21	383	99
-Utility	11.10	121	-10	24	298	95
High Yield	3.64	435	-74	99	1100	315
Securitized	2.54	54	-2	12	135	39
-Commercial Mortgage-Backed Securities	5.29	97	-7	25	260	64
-Asset-Backed Securities	2.12	38	-1	-6	325	27
-Mortgage-Backed Securities	2.32	51	-1	12	132	28

International Yields

	Germany	Japan	U.K.	France	Italy	Spain	Greece
2 Year	-0.73	-0.13	-0.03	-0.67	-0.42	-0.57	--
5 Year	-0.74	-0.12	0.02	-0.64	0.09	-0.34	0.14
10 Year	-0.55	0.02	0.34	-0.31	0.67	0.11	0.76
30 Year	-0.13	0.66	0.93	0.38	1.52	0.92	--

Equity

	Current	Δ MTD	Δ YTD
Dow Jones	29,479.81	2978.21	941.37
S&P 500	3,585.15	315.19	354.37
Nasdaq	11,893.82	982.23	2921.22

Volatility

	Current	Δ MTD	Δ YTD
VIX	23.10	-14.92	9.32
MOVE	42.95	-18.96	-15.33

Commodities

	Current	Δ MTD	Δ YTD
CRB	151.86	7.13	-33.93
Gold	1,886.20	6.30	363.10
Oil	40.13	4.34	-20.93
Gas	112.54	9.32	-56.51

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	13.8	0.90	-22.65

Currency

	Current	Δ MTD	Δ YTD
U.S. Dollar	92.755	-1.283	-3.690
Euro	1.183	0.019	0.062
Pound	1.319	0.024	-0.006
Yen	104.630	-0.030	-4.130
Canadian Dollar	1.314	-0.018	0.015
Franc	0.913	-0.004	-0.054

As of 11.13.2020. 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 CBCE 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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