



Summary

- Quarter-end rebalancing and the details around President Biden's infrastructure spending plan will likely impact Treasury yields this week. The ten-year yield found stability in the 1.65% to 1.70% range after rising approximately 75 basis points (bps) during the first quarter.
- The municipal bond market responded well to last week's heavy new issue calendar despite concerns that a spike in supply during a period of rising yields would shake investors' confidence and lead to additional selling. The opposite happened as steady inflows of new money attracted to the higher yields easily digested the largest weekly issuance year-to-date.
- Credit markets held in well last week despite another week of heavy supply, and dealers continued to shed inventory ahead of quarter-end. As rates stabilized, there was a brief spasm of buy interest from Asia, though it did little to move spreads wider. For the week, investment grade spreads widened one bp to 96 bps and high yield tightened 12 bps to 329 bps.

Treasury Yields

Term	Treasury Yield	Δ MTD	Δ YTD
1 Year	0.06	-0.01	-0.04
2 Year	0.14	0.01	0.02
5 Year	0.87	0.13	0.50
10 Year	1.68	0.27	0.76
30 Year	2.38	0.23	0.73

Tax-Exempt

Credit Rating Outlook Improves

- It was a busy week for rating agency outlook revisions. S&P raised the outlooks from negative to stable on the state, local government, school district, charter school, airport, mass transit, and toll road municipal sectors. The outlook revisions across a wide swath of sectors are tied to the stimulus funds to be received from Washington, which are expected to have far-reaching implications for the economy.
- Moody's revised the outlook on the higher education sector to stable. As justification for the move, Moody's cited a combination of factors including "the potential for students to return to campus in greater numbers in Fall 2021, the funding boost from additional federal support and fiscal stimulus, a steadier outlook for state funding, and strong investment returns."
- Finally, Moody's revised Illinois' outlook to stable on Thursday, citing the increased level of federal support the state will receive from stimulus monies. The Governor's \$41.6 billion fiscal year 2022 budget proposal, which was released prior to passage of President Biden's stimulus plan, did not assume additional federal aid. The state is now on tap to receive \$7.5 billion in aid from passage of the stimulus plan, which the governor has since said will be used to pay off lending from the Fed's Municipal Lending Facility and reduce the state's bill back-log.

California Finances Continue to Improve

- California revenues continue to do well. This week, the state's finance department reported the state has collected approximately \$26 billion in revenue so far in fiscal year 2021, which is tracking about 13% above budget.

Municipal Yields

Term	Municipal Yield	Δ MTD	Δ YTD	Tax-Equivalent Yield	Municipal/Treasury Ratio (%)	Δ MTD	Δ YTD
1 Year	0.09	-0.03	-0.04	0.14	147.78	-34.31	22.78
2 Year	0.14	-0.05	0.00	0.22	100.94	-48.67	-14.67
5 Year	0.50	-0.06	0.28	0.77	57.79	-18.79	-3.19
10 Year	1.11	-0.03	0.40	1.71	66.23	-14.92	-11.52
30 Year	1.74	-0.06	0.35	2.68	73.17	-10.50	-11.34

Taxable

Oracle \$15 Billion New Issue Deal

- Oracle kicked off last week with an out-of-nowhere \$15 billion deal to refinance some maturity debt and pay for another big increase in their share repurchase program. Moody's downgraded Oracle two notches to Baa2 from A3 and Fitch downgraded Oracle one notch to BBB+ from A- following the news of the company's plan to issue new debt, noting gross leverage will total low 4x.

Jackson National Pulled Inaugural HoldCo Deal

- On Thursday, Jackson National pulled its inaugural holdco deal right before pricing. The company noted it "received late notification concerning potential claims by two recently departed executives of the business." The new issue deal received \$10 billion in orders for its \$1.6 billion three-tranche and was able to move pricing some 35 bps from the initial talk.

Investment Grade Credit Supply Continues to Surprise to the Upside

- At \$183 billion, March would have been the biggest month of investment grade supply ever without March, April or May 2020. April supply is expected to drop off in the pace of supply with only about \$85 billion expected.



Sectors¹

	Duration	Spread	Δ MTD	Δ YTD	52-Week High	52-Week Low
Investment Grade Corporate	8.45	96	6	0	284	88
-Financial	6.42	88	11	5	285	76
-Industrial	9.18	99	4	-2	287	93
-Utility	10.47	103	6	-3	263	97
High Yield	3.88	325	-1	-35	942	315
Securitized	4.13	21	-3	-21	81	14
-Commercial Mortgage-Backed Securities	5.18	70	0	-11	200	65
-Asset-Backed Securities	2.09	34	5	1	288	26
-Mortgage-Backed Securities	4.07	17	-3	-22	75	10

International Yields

	Germany	Japan	U.K.	France	Italy	Spain	Greece
2 Year	-0.72	-0.14	0.06	-0.62	-0.42	-0.52	--
5 Year	-0.68	-0.09	0.33	-0.60	-0.04	-0.32	0.22
10 Year	-0.35	0.08	0.76	-0.10	0.62	0.29	0.86
30 Year	0.22	0.64	1.28	0.77	1.61	1.22	--

Equity

	Current	Δ MTD	Δ YTD
Dow Jones	33,072.88	2140.51	2466.40
S&P 500	3,974.54	163.39	218.47
Nasdaq	13,006.50	-185.85	118.22

Volatility

	Current	Δ MTD	Δ YTD
VIX	18.86	-9.09	-3.89
MOVE	61.49	-14.17	12.51

Commodities

	Current	Δ MTD	Δ YTD
CRB	187.73	-2.70	19.93
Gold	1,734.70	5.90	-160.40
Oil	60.97	-0.53	12.45
Gas	196.73	1.68	55.72

Central Bank Rates

	Current	Δ MTD	Δ YTD
United States	0.25	0.00	0.00
Europe	0.00	0.00	0.00
United Kingdom	0.10	0.00	0.00
Japan	0.10	0.00	0.00
Canada	0.25	0.00	0.00
TED Spread	18.4	2.84	0.37

Currency

	Current	Δ MTD	Δ YTD
U.S. Dollar	92.766	1.887	2.829
Euro	1.179	-0.028	-0.042
Pound	1.379	-0.014	0.012
Yen	109.640	3.070	6.440
Canadian Dollar	1.258	-0.016	-0.015
Franc	0.939	0.031	0.053

As of 03.26.2021. Source: Bloomberg. Please see page 3 for important disclosures and definitions.

¹ Sectors 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 tool used in assessing the price volatility of a fixed-income security

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: income-only return on investment expressed as an annual percentage

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 Industrial 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 Utility 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. Securitizd Index: Bloomberg Barclays U.S. Securitizd 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.

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