



## Summary

- The Federal Reserve surprised investors last week by signaling a faster pace of policy normalization than the market expected with two rate hikes now projected in 2023. The Treasury yield curve bull flattened to levels not seen since last November as markets priced in the start of the next rate hiking cycle.
- Muni yields increased in a more parallel fashion on the Fed's hawkish tone, which produced cheaper valuations across the curve. The positive technical environment remains firmly entrenched throughout the summer, so the improved ratios likely represents a buying opportunity.
- Despite the Treasury rate volatility last week following the Federal Open Market Committee (FOMC) meeting, credit spreads continued to grind as investment grade option-adjusted spread (OAS) tightened 2 basis points (bps) to 82 bps and high yield OAS tightened 4 bps to 286 bps.

## Treasury Yields

Term	Treasury Yield	Δ MTD	Δ YTD
1 Year	0.08	0.04	-0.03
2 Year	0.25	0.11	0.13
5 Year	0.87	0.08	0.51
10 Year	1.44	-0.16	0.52
30 Year	2.01	-0.27	0.37

## Tax-Exempt

### Tax Revenues Increasing

- State tax revenues have risen 9.6% in the quarter ending March 31, 2021, according to the U.S. Census Bureau. Sales tax growth continues to gain momentum rising 34% year-over-year as of April 30. Massachusetts saw the largest increase in sales taxes, up nearly 82%.

### U.S. Airline Travel Continues to Rebound

- As of last Friday, U.S. airline travelers exceeded two million people per day for the first time since the COVID-19 pandemic began. The number is about three-quarters of the volume recorded on the same day in 2019, according to the Transportation Security Administration.

### Bipartisan Infrastructure Plan Gaining Traction

- Support for Senator Mitt Romney's bipartisan infrastructure proposal seems to be gaining traction after several moderate Democratic Senators balked at the \$6 trillion proposal pushed by Democrats on concerns that it was too expensive. While work on the Democrat-only plan will continue, both plans appear to be embracing a broad expansion of the use of tax-exempt financing as a primary funding tool.

## Municipal Yields

Term	Municipal Yield	Δ MTD	Δ YTD	Tax-Equivalent Yield	Municipal/Treasury Ratio (%)	Δ MTD	Δ YTD
1 Year	0.12	0.05	-0.01	0.18	157.69	-54.43	32.69
2 Year	0.16	0.06	0.02	0.25	62.97	-8.11	-52.64
5 Year	0.50	0.02	0.28	0.77	57.17	-2.87	-3.81
10 Year	0.96	-0.03	0.25	1.48	66.75	4.66	-10.99
30 Year	1.45	-0.06	0.06	2.23	72.04	5.88	-12.46

## Taxable

### Corporate Inventories and Volume

- Trading volume was solid for a summer week bisected by a Fed meeting with flows very balanced. Dealers were net lifted on about \$500 million worth of investment grade bonds through Thursday. Investors, particularly foreigners, were net buyers of the long end with dealers reporting heavy OWIC (offers wanted in competition) activity overnight for most of the week. Financials were the most heavily net bought sector by investors.

### New Issue Credit Calendars Remain Manageable

- Investment grade new issue supply came in just under expectations for the week with \$22.7 billion pricing from 17 deals. Deals were managed around the Fed on Wednesday with Nvidia (NVDA) printing the largest deal of the week last Monday, issuing \$5 billion. Deals received good execution and continue to be met with strong demand. Estimates for this week are \$25 billion.



## Sectors<sup>1</sup>

	Duration	Spread	Δ MTD	Δ YTD	52-Week High	52-Week Low
Investment Grade Corporate	8.76	82	-2	-14	153	81
-Financial	6.62	73	0	-10	142	72
-Industrial	9.54	85	-2	-16	159	84
-Utility	10.49	95	0	-11	150	94
High Yield	3.85	286	-10	-74	630	280
Securitized	4.24	33	14	-9	79	11
-Commercial Mortgage-Backed Securities	5.19	55	-3	-26	135	55
-Asset-Backed Securities	2.03	22	-3	-11	70	22
-Mortgage-Backed Securities	4.19	31	15	-8	75	7

## International Yields

	Germany	Japan	U.K.	France	Italy	Spain	Greece
2 Year	-0.67	-0.11	0.13	-0.64	-0.34	-0.52	--
5 Year	-0.59	-0.10	0.38	-0.50	0.14	-0.23	0.05
10 Year	-0.20	0.05	0.75	0.16	0.87	0.46	0.83
30 Year	0.25	0.68	1.21	0.93	1.85	1.41	--

## Equity

	Current	Δ MTD	Δ YTD
Dow Jones	33,290.08	-1239.37	2683.60
S&P 500	4,166.45	-37.66	410.38
Nasdaq	14,030.38	281.64	1142.10

## Volatility

	Current	Δ MTD	Δ YTD
VIX	20.70	3.94	-2.05
MOVE	60.45	8.41	11.47

## Commodities

	Current	Δ MTD	Δ YTD
CRB	205.86	0.16	38.06
Gold	1,769.00	-136.30	-126.10
Oil	71.64	5.32	23.12
Gas	216.83	3.14	75.82

## 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	10.7	-2.19	-7.31

## Currency

	Current	Δ MTD	Δ YTD
U.S. Dollar	92.225	2.396	2.288
Euro	1.186	-0.036	-0.035
Pound	1.381	-0.040	0.014
Yen	110.210	0.630	7.010
Canadian Dollar	1.247	0.040	-0.026
Franc	0.922	0.023	0.036

As of 06.18.2021. Source: Bloomberg. Please see page 3 for important disclosures and definitions.

<sup>1</sup> 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 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.

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