



Summary

- Treasury yields continued to drift lower last week with 10-year and 30-year yields both falling seven basis points (bps) to 1.29% and 1.92%, respectively. During Fed Chair Jerome Powell's testimony before Congress last Wednesday and Thursday, he acknowledged price pressures but reiterated the committee's belief that "inflation will remain elevated in coming months before moderating." He also noted the labor market has a long way to go, despite recent progress.
- Credit fundamentals continue to improve as municipalities are awash in cash from higher tax collections and government aid. The strong position of state finances reduces borrowing needs and the supply of new issuance, which helps support the low yields and rich valuations.
- Last week marked the beginning of corporate quarterly earnings season with the "big six" banks reporting. Investment grade spreads drifted one bp wider to 85 bps, as concerns about the Delta Variant spark concerns regarding global growth.

Treasury Yields

Term	Treasury Yield	Δ MTD	Δ YTD
1 Year	0.07	0.01	-0.03
2 Year	0.22	-0.03	0.10
5 Year	0.77	-0.12	0.41
10 Year	1.29	-0.18	0.38
30 Year	1.92	-0.17	0.27

Tax-Exempt

Some examples of the strong financial performance in fiscal year 2021 include:

- Virginia announcing the state closed the fiscal year with a \$2.6 billion surplus, the largest recorded in state history, on revenue collections that were 14.5% higher than that of fiscal year 2020.
- Kentucky closing the year with a \$1.1 billion surplus, also its highest ever, besting its largest previous surplus by 3x, on revenue receipts that were 10.9% higher than fiscal year 2020.
- Kansas reporting that tax collections on the year were 9.3% over previous estimates, leading to the highest state reserve levels since 1980.
- Oklahoma realizing tax receipts of \$14.32 billion on the year, with \$1.54 billion of that amount coming in June 2021, alone, on rising oil prices.

Moody's Revises New Jersey's Outlook to Positive

- Moody's revised New Jersey's general obligation outlook to positive while affirming its A3 rating. The revision follows Moody's outlook revision from negative to stable just three months ago, making a rating lift in the near future likely. In the most recent revision, Moody's stated "the state has responded to a brightening revenue and liquidity picture with several actions reflecting commitment to addressing more aggressively its liability burdens, demonstrating improved fiscal governance, and management. These actions include debt reduction, debt avoidance, and acceleration of pension contributions."

Municipal Yields

Term	Municipal Yield	Δ MTD	Δ YTD	Tax-Equivalent Yield	Municipal/Treasury Ratio (%)	Δ MTD	Δ YTD
1 Year	0.07	-0.05	-0.06	0.11	98.59	-83.50	-26.41
2 Year	0.11	-0.05	-0.03	0.17	49.66	-14.70	-65.95
5 Year	0.40	-0.09	0.18	0.62	51.72	-3.37	-9.26
10 Year	0.84	-0.15	0.13	1.29	65.10	-2.34	-12.65
30 Year	1.35	-0.15	-0.04	2.08	70.34	-1.58	-14.16

Taxable

Corporate Supply Surprised to the Upside Following Bank Earnings

- Supply for the week totaled \$31.75 billion, as Goldman Sachs, Bank of America and Morgan Stanley flooded the market with \$21.75 billion in new bank supply, accounting for roughly 70% of the week's supply. New issue concessions were 3-7 bps on average, so deals received a good reception from investors with subscription levels around 3x over. The influx in supply contributed to some weakness in secondary market spreads, as investors sold bonds from banking and other sectors to fund their new issue purchases.

M&A Headlines

- Broadcom sparked speculation that they were interested in buying software company SAS for \$15-\$20 billion before talks were quickly called off.
- AIG announced plans to sell part of its life and retirement business to Blackstone.
- Speculation emerged that Intel is exploring a deal to buy chip maker Global Foundries for \$300 million.



Sectors¹

	Duration	Spread	Δ MTD	Δ YTD	52-Week High	52-Week Low
Investment Grade Corporate	8.79	86	6	-10	140	80
-Financial	6.67	77	6	-6	131	71
-Industrial	9.58	90	7	-11	144	83
-Utility	10.57	97	4	-9	142	93
High Yield	3.84	282	14	-78	537	262
Securitized	4.06	35	6	-7	74	11
-Commercial Mortgage-Backed Securities	5.19	60	1	-21	123	54
-Asset-Backed Securities	2.07	24	2	-9	65	22
-Mortgage-Backed Securities	4.00	34	7	-5	70	7

International Yields

	Germany	Japan	U.K.	France	Italy	Spain	Greece
2 Year	-0.68	-0.13	0.12	-0.65	-0.42	-0.53	--
5 Year	-0.64	-0.12	0.33	-0.60	0.01	-0.33	-0.10
10 Year	-0.35	0.02	0.63	-0.02	0.71	0.29	0.69
30 Year	0.13	0.65	1.11	0.76	1.71	1.25	--

Equity

	Current	Δ MTD	Δ YTD
Dow Jones	34,687.85	185.34	4081.37
S&P 500	4,327.16	29.66	571.09
Nasdaq	14,427.24	-76.71	1538.96

Volatility

	Current	Δ MTD	Δ YTD
VIX	18.45	2.62	-4.30
MOVE	58.24	0.97	9.26

Commodities

	Current	Δ MTD	Δ YTD
CRB	212.58	-0.80	44.78
Gold	1,815.00	43.40	-80.10
Oil	71.81	-1.66	23.29
Gas	225.36	1.18	84.35

Central Bank Rates

	Current	Δ MTD	Δ YTD
United States	92.687	0.251	2.750
Europe	1.181	-0.005	-0.041
United Kingdom	1.377	-0.006	0.010
Japan	110.070	-1.040	6.870
Canada	1.261	0.022	-0.011
TED Spread	0.919	-0.006	0.033

Currency

	Current	Δ MTD	Δ YTD
U.S. Dollar	0.25	0.00	0.00
Euro	0.00	0.00	0.00
Pound	0.10	0.00	0.00
Yen	0.10	0.00	0.00
Canadian Dollar	0.25	0.00	0.00
Franc	9.1	-1.31	-8.89

As of 07.16.2021. 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 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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