



Summary

- Weak economic data points and a dovish report from the Federal Reserve pressured Treasury yields lower and the curve steeper. The 10-year Treasury yield declined 10 basis points (bps) to end the week at 0.52%.
- Municipals followed Treasury yields lower aided by 12 consecutive weeks of inflows, decent relative valuations and a below-average new issue calendar.
- Credit markets paused last week as yields reach all-time lows and valuations approach pre-COVID levels.

Treasury Yields

Term	Treasury Yield	Δ MTD	Δ YTD
1 Year	0.11	0.00	-1.46
2 Year	0.11	0.00	-1.46
5 Year	0.20	0.00	-1.49
10 Year	0.53	0.00	-1.39
30 Year	1.19	0.00	-1.20

Tax-Exempt

- Total new issuance of roughly \$7.3 billion is expected this week with \$4.4 billion of tax-exempts and \$2.9 billion in taxable product. The year-to-date weekly average for tax-exempt issuance is currently \$5.66 billion. The only major competitive issue slated to sell is \$190 million Missouri Board of Public Bldgs. (10/2020-2028), which is scheduled for Tuesday at 10 a.m. EST. On the negotiated side, Goldman will manage (A2/A) \$257 million Long Island Power Authority Electric System, Piper will underwrite (Aa2/AAA) \$266 million Phoenix, Arizona Civic Imp Excise Tax and J.P. Morgan will lead (/AAA/AA+) \$233 million Anchorage, Alaska GO.
- On Monday the U.S Senate unveiled the HEALS act, a \$1 trillion stimulus measure that unfortunately lacked support for states and municipalities. The general belief is that the measure is an opening salvo in negotiations with House Democrats and that the compromise point could be approximately \$500 billion in aid to state and local governments. The latest GOP proposal included \$10 billion in support for airports with the majority going to large hubs like Atlanta, Los Angeles, Dallas and Chicago. Only \$500 million is expected to provide assistance to the non-primary airports.
- On Thursday, MEAG Power and JEA announced a settlement had been reached between the two entities related to JEA's power purchase agreement with MEAG from energy generated from the Vogtle nuclear plant. JEA, under new executive leadership, is opting to withdraw further litigation with MEAG without either entity offering concessions to the existing contract. Southern Company released their earnings Thursday morning and provided an update on the construction progress at plant Vogtle. Construction is approximately 90% complete with unit three expected to reach its in-service regulatory approval date of November 2021.

Municipal Yields

Term	Municipal Yield	Δ MTD	Δ YTD	Tax-Equivalent Yield	Municipal/Treasury Ratio (%)	Δ MTD	Δ YTD
1 Year	0.11	0.00	-0.93	0.17	103.29	0.00	36.88
2 Year	0.13	0.00	-0.91	0.20	123.34	0.00	57.06
5 Year	0.23	0.00	-0.86	0.35	112.52	0.00	48.07
10 Year	0.65	0.00	-0.79	1.00	123.06	0.00	47.96
30 Year	1.37	0.00	-0.72	2.11	114.88	0.00	27.42

Taxable

- Investment grade credit spreads ended the month 17 bps tighter to 133 bps and high yield spreads tightened 138 bps to 488 bps. Excess returns for the month were 1.77% and 4.25% for investment grade and high yield, respectively.
- With yields at all-time lows and the dollar selling off, overseas buying completely dried up. Domestic investors remained strong net buyers, lifting dealers out of nearly \$3 billion in investment grade inventory, most of it in the belly of the curve. The Fed slowed their purchases again this week, buying an average of just \$31 million per day.
- Issuance surprised to the upside last week, driven primarily by AT&T's \$11 billion liability management exercise, whereby they issued debt from 7.5 years all the way out to 40.5 years and used the proceeds to tender for a similar amount of their 2022-2025 maturities. Coupons on this deal ranged from 1.65% to 3.5%, so they lowered their average coupon while significantly increasing their average time to maturity.
- Last week was another big week for earnings. Ford, General Electric and General Motors outperformed after losing significantly less money than the market expected, while Boeing continued to struggle. NVidia underperformed following reports which see them getting closer to a deal for Softbank's ARM business.



Sectors¹

	Duration	Spread	Δ MTD	Δ YTD	52- Week High	52-Week Low
Investment Grade Corporate	8.79	133	0	40	373	93
-Financial	6.68	122	0	42	378	80
-Industrial	9.47	138	0	39	383	99
-Utility	11.38	130	0	33	298	95
High Yield	3.53	488	0	152	1100	315
Securitized	1.97	63	0	21	135	39
-Commercial Mortgage-Backed Securities	5.34	120	0	48	260	60
-Asset-Backed Securities	2.14	60	0	16	325	27
-Mortgage-Backed Securities	1.68	58	0	19	132	28

International Yields

	Germany	Japan	U.K.	France	Italy	Spain	Greece
2 Year	-0.71	-0.12	-0.07	-0.63	-0.03	-0.40	--
5 Year	-0.72	-0.10	-0.12	-0.57	0.51	-0.21	0.46
10 Year	-0.52	0.03	0.10	-0.19	1.01	0.34	1.09
30 Year	-0.10	0.56	0.63	0.51	1.96	1.13	--

Equity

	Current	Δ MTD	Δ YTD
Dow Jones	26,428.32	0.00	-2110.12
S&P 500	3,271.12	0.00	40.34
Nasdaq	10,745.27	0.00	1772.67

Volatility

	Current	Δ MTD	Δ YTD
VIX	24.46	0.00	10.68
MOVE	41.98	0.00	-16.30

Commodities

	Current	Δ MTD	Δ YTD
CRB	143.69	0.00	-42.09
Gold	1,985.90	0.00	462.80
Oil	40.27	0.00	-20.79
Gas	117.11	0.00	-51.94

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	16.5	0.00	-19.97

Currency

	Current	Δ MTD	Δ YTD
US Dollar	93.349	0.000	-3.096
Euro	1.178	0.000	0.057
Pound	1.309	0.000	-0.017
Yen	105.830	0.000	-2.930
Canadian Dollar	1.341	0.000	0.043
Franc	0.913	0.000	-0.054

As of 07.31.2020. 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 US 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 US Aggregate ABS Index: A component of the Bloomberg Barclays US Aggregate Index, the Bloomberg Barclays US 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 US Aggregate CMBS Index: A component of the Bloomberg Barclays US Aggregate Index, the Bloomberg Barclays US Aggregate CMBS Index includes investment grade securities that are ERISA-eligible under the underwriter's exemption.

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

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

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

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

Bloomberg Barclays US Corporate High Yield Bond Index: The Bloomberg Barclays US 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 US Securitized Index: Bloomberg Barclays US Securitized Index is comprised of predominantly MBS Agency securities, but also includes ABS, CMBS and covered securities. Bloomberg Barclays US Treasury Strips 20+ Year Index tracks the performance of zero coupon US 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 depository 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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