

# Fixed Income Weekly Monitor

Treasury yields were little changed last week with mixed economic data and frequent reversals in fiscal stimulus and vaccine progress.

## PWM Fixed Income Research

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October 19, 2020

## Treasuries

- For the better part of the week (which was shortened by a bond market Monday holiday) Treasuries spent the time bull-flattening before picking back up a little by the end of the week. Market narratives swung around about both vaccines and go-no-go status of fiscal stimulus talks. Economic data in terms of Retail Sales, Consumer Price Inflation (CPI) were somewhat supportive to yields but Jobless Claims and Industrial Production threw a bit of cold water on them.
- Last week, Treasury yields increased: 3 mos. bills -0.2 bps at 0.094%, 1 yr Treasury Notes -0.07 bps to 0.122%, 2-year Note yields -1.2 bps at 0.14%, 5-year Notes yields -1.9 bps at 0.32%, 10-year Notes yields 3.0 bps at 0.74% and 30-year bonds yields +4.2 bps at 1.53%.

## Municipals

- Bloomberg Municipal Index yields also generally increased; AAA-rated GO yields 2-year bonds +0 bps at 0.16%, 5-year bonds -1 bps at 0.31%, 10-year bond yields -1 bps to 0.92% and 30-year bonds were -1 bps at 1.77%.
- The 10yr AAA GO Ratio is 124.3.

## Corporates

- BAML Investment-grade credit spreads tightened over the past week by -2 bps at 133 bps OAS.
- BAML High-yield credit spreads widened over the past week by +2 bps to 494 bps OAS.

## Looking Ahead

- 10/20: ISM Housing Starts
- 10/22: Jobless claims

Investment-grade Corporate Index Spread (YTD)



10/19/2020					
<b>Treasuries</b>	<b>Nominals</b>	<b>YTM %</b>	<b>5d chg. (bps)</b>	<b>1mo. chg. (bps)</b>	<b>YTD chg. (bps)</b>
	1 yr	0.12	0	1	-144
	2yr	0.15	0	1	-142
	5yr	0.34	0	6	-135
	7yr	0.55	0	8	-128
	10yr	0.78	0	8	-114
	30yr	1.56	-1	11	-83
	<b>Inflation breakeven</b>	<b>YTM %</b>	<b>5d chg. (bps)</b>	<b>1mo. chg. (bps)</b>	<b>YTD chg. (bps)</b>
	5yr	1.53	-4	-5	-17
	10yr	1.72	-2	5	-7
	<b>Real yield</b>	<b>YTM %</b>	<b>5d chg. (bps)</b>	<b>1mo. chg. (bps)</b>	<b>YTD chg. (bps)</b>
	5yr	-1.23	4	9	-122
	10yr	-0.95	2	3	-108
<b>Municipals</b>	<b>AAA Rated GO</b>	<b>YTM %</b>	<b>5d chg. (bps)</b>	<b>1mo. chg. (bps)</b>	<b>YTD chg. (bps)</b>
	2yr AAA GO	0.16	0	1	-90
	5yr AAA Go	0.32	-1	3	-82
	10yr AAA GO	0.92	-1	10	-56
	<b>A Rated GO</b>	<b>YTM %</b>	<b>5d chg. (bps)</b>	<b>1mo. chg. (bps)</b>	<b>YTD chg. (bps)</b>
	2yr A GO	0.73	#VALUE!	26	-43
	5yr A GO	1.02	#VALUE!	32	-27
	10yr A GO	1.77	#VALUE!	49	0
	<b>A Rated Revenue</b>	<b>YTM %</b>	<b>5d chg. (bps)</b>	<b>1mo. chg. (bps)</b>	<b>YTD chg. (bps)</b>
	2yr A Revenue	0.52	#VALUE!	-2	-72
	5yr A Revenue	0.81	#VALUE!	2	-60
	10yr A Revenue	1.60	#VALUE!	16	-25
	<b>GO Ratios</b>	<b>Ratio</b>	<b>5d Chg.</b>	<b>1 mo.Chg.</b>	<b>YTD Chg.</b>
	5yr AAA GO Ratio	98.46	1.4	-5.4	31.2
	10yr AAA GO Ratio	123.07	2.8	5.6	45.8
<b>MBS 30-yr</b>		<b>Curr. Cpn.</b>	<b>5d chg. (bps)</b>	<b>1mo. chg. (bps)</b>	<b>YTD chg. (bps)</b>
	FNMA	1.36	-5	-7	-135
	GNMA	1.38	-6	-14	-105
<b>Corporate</b>	<b>Yield %</b>	<b>OAS (bps)</b>	<b>Chg. OAS (bps)</b>	<b>Chg. OAS (bps)</b>	<b>Chg. OAS (bps)</b>
<b>Intermediate IG Index</b>	1.3	93	-2	-2	23
AA rated	1.48	74	0	-1	26
A Rated	1.63	94	-1	-2	24
BBB Rated	2.35	163	-2	-4	38
<b>Intermed. High-yield Index</b>	5.34	476	1	-16	143
BB Rated	3.99	341	-2	-12	159
B Rated	5.62	494	14	-8	170
CCC Rated	9.41	876	-1	-50	7
<b>Preferred Index</b>	5.14				
<b>Other</b>		<b>Level</b>	<b>5d Chg.</b>	<b>1 mo.Chg.</b>	<b>YTD Chg.</b>
	Fed Funds Rate (Eff.)	0.09%	0.00%	0.00%	-1.46%
	3M Libor	0.22%	-0.01%	-0.01%	-1.69%
	Treas. Volatility Index	57.3	-0.3	20.0	-1.0
	S&P 500 Index	3483.8	0.19%	4.95%	7.83%
	VIX Index	27.5	2.5	1.6	13.7
	U.S Dollar Index	1165.4	0.18%	0.17%	-1.64%

## Appendix – Important Disclosures

Some of the potential risks associated with fixed income investments include call risk, reinvestment risk, default risk and inflation risk. Additionally, it is important that an investor is familiar with the inverse relationship between a bond's price and its yield. Bond prices will fall as interest rates rise and vice versa.

When considering a potential investment, investors should compare the credit qualities of available bond issues before they invest. The two most recognized rating agencies that assign credit ratings to bond issuers are Moody's Investors Service ("Moody's") and Standard & Poor's Corporation ("S&P"). Moody's lowest investment-grade rating for a bond is Baa3 and S&P's lowest investment-grade rating for a bond is BBB-. Ratings are measured on a scale that ranges from AAA or Aaa (highest) to D or C (lowest).

The Bond Buyer 20-Bond Index consists of 20 general obligation bonds that mature in 20 years. The average rating of the 20 bonds is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA. The Bond Buyer 11-Bond Index uses a select group of 11 bonds in the 20-Bond Index. The average rating of the 11 bonds is roughly equivalent to Moody's Aa1 and S&P's AA-plus. The Bond Buyer Revenue Bond Index consists of 25 various revenue bonds that mature in 30 years. The average rating is roughly equivalent to Moody's A1 and S&P's A-plus. The indexes represent theoretical yields rather than actual price or yield quotations. Municipal bond traders are asked to estimate what a current-coupon bond for each issuer in the indexes would yield if the bond was sold at par value. The indexes are simple averages of the average estimated yields of the bonds, are unmanaged and a direct investment cannot be made in them.

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