Treasury yields uncharacteristically bear-steepened on economic data, supply and equity strength. IG corporate spreads unmov ed. Munis relative value lowest since pre-Covid.

Treasuries
- Last week was different for Treasuries. The market had become accustomed to slight movements in yields as the short end is pinned by expectations for Fed Funds to remain at zero for the foreseeable future. However, some relatively solid (to expectations) economic data, in particular inflation data and retail sales, and big long-dated auctions moved the curve higher and steeper (see graph). Fixed income supply conditions were exacerbated by a large volume coming to market in the IG corporate sector. Additionally, fixed income was pressured by the buoyancy of equity markets. While both contributed, the majority of the move higher in nominals was accomplished through real-yield space as compared to inflation breakevens. Municipals (broadly) richened to levels last seen prior to the virus outbreak. Markets continue to wait for affirmation of economic relief legislation.
- During the past week, Treasury yields were strongly higher: 3 mos. bills +0.8 bps at 0.094%, 1 yr Treasury Notes +0 bps to 0.13%, 2-year Note yields +2 bps at 0.15%, 5-year Notes yields +6.9 bps at 0.30%, 10-year Notes yields +14.7 bps at 0.71% and 30-year bonds yields +21.5 bps at 1.45%.

Municipals
- Bloomberg Municipal Index yields were higher; AAA-rated GO yields 2-year bonds +2 bps to 0.11%, 5-year bonds +4 bps at 0.24%, 10-year bond yields +6 bps to 0.62% and 30-year bonds were +5 bps at 1.39%.
- The 10yr AAA GO Ratio is 90.6.

Corporates
- BAML Investment-grade Index spreads were unchanged at 135 bps OAS. 34 bps higher from where the year began.
- High-yield spreads widened by +20 bps to 526 bps OAS. 166 bps form where the year began.

Looking Ahead
- 8/17: Empire mfg.
- 8/18: Housing Starts/Permits, FOMC Meeting Minutes
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.

This is not a complete analysis of every material fact regarding any sector, municipality or security. The opinions expressed here reflect our judgment at this date and are subject to change. The information has been obtained from sources we consider to be reliable, but we cannot guarantee the accuracy. Municipal securities investments are not appropriate for all investors, especially those taxed at lower rates. The alternative minimum tax (AMT) may be applicable, even for securities identified as tax-exempt. It is strongly recommended that an investor discuss with their financial professional all materially important information such as risks, ratings and tax implications prior to making an investment. Past performance is not a guarantee of future results.

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