

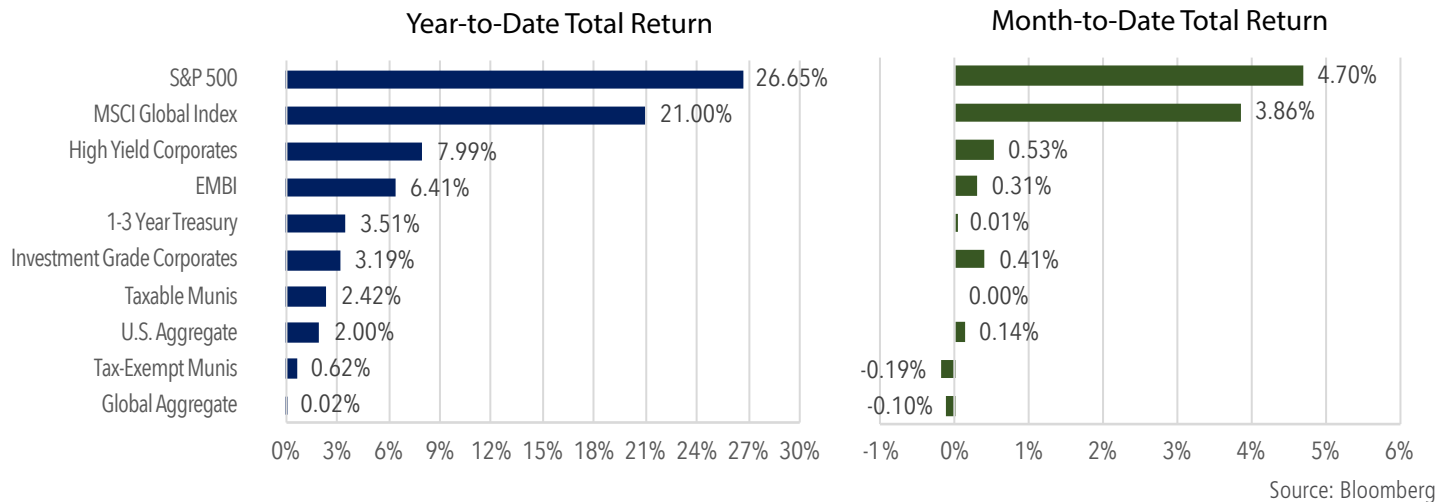
Week Ending: **November 8, 2024**

Sunsetting Concerns

Economic Overview:

In the wake of the U.S. presidential election, Treasury bond yields rose, and stock markets surged. Based on discussions with investors, many viewed the election results as portending an increase in fiscal spending and an inflation re-acceleration. We understand the concern given the painful recent bout of inflation. However, the magnitude of the fiscal stimulus unleashed during Covid-19 was unseen outside the Second World War. It's little wonder that the Covid-era stimulus (doled out during supply chain shutdowns) led to an enormous inflation outbreak. Even Trump's early first-term fiscal efforts pale compared to the pandemic. Further, current projections do not even register compared to the Covid-era. Could investors be overestimating the impact of fiscal policy on interest rate rates? [We report, you decide, but we think you know where we stand.](#)

Total Returns by Asset Class



Highlights of the Week:

High Yield: While risk markets have posted strong returns this week, yields nonetheless remain high. Yields on high yield bonds closed at 7.20% on Thursday, down just 13 basis points from their near-term highs last week. From a yield perspective, valuations remain reasonable.

Corporates: It's been risk-on within corporates post-election with spreads on the Bloomberg 1-30 Year Corporate Index falling 8 basis points on the week thus far to an OAS of +75, the tightest level since 1998. Issuance has slowed down unsurprisingly with just one issuer on Monday. However, we have two deals on Friday, the first multi-Friday deal since May of 2023. As of now, year-to-date issuance stands at \$1.37 trillion.

Equities: The U.S. equity market surged to record highs as the U.S. presidential election results increased optimism surrounding economic growth prospects. All sectors posted gains with five out of the 11 sectors gaining more than +5%. Consumer discretionary, industrials and energy led markets higher, while utilities, consumer staples, and materials were the market laggards.

Securitized Products: The EUR CLO market stands resilient, with strong underlying demand, efficient capital recycling, and fundamentals that appear favorable into the final quarter. While there may be some pressure from macroeconomic risks, the alignment of technical factors, ample liquidity, and a favorable default landscape supports the EUR CLO sector's ongoing strength.