FIDELITY INSTITUTIONAL℠

U.S. Fixed Income

September 2021

Economic and U.S. Treasury Market Review

Real gross domestic product (GDP) grew at an annual rate of 6.6% in the second quarter, according to the "second" estimate by the Bureau of Economic Analysis. This was up from the 6.5% pace of expansion reported in July and ahead of the 6.3% growth rate in the first quarter. The spike higher for Q2 reflected slightly more robust consumer spending and business investment than initially estimated.

The **U.S. manufacturing sector** demonstrated solid factory performance along orders and output dimensions, although problems sourcing labor and reliable logistics held back stronger growth. The ISM Manufacturing Index scored a reading of 59.9 in August, up from the prior month's 59.5 and above the estimated 58.5. Any reading above 50.0 is a sign of economic growth.

The **U.S. labor market** continued to improve in August as weekly initial jobless claims were relatively low and job cut announcements, a leading indicator for layoffs, fell to the lowest level on record. The US unemployment rate has fallen from an April 2020 peak of 14% to below 6% and is still well above the 3.5% level that was reached before the COVID shutdown.

Inflation (**CPI-U)** was 5.4% over the past year, according to the U.S. Bureau of Labor Statistics. On a monthly basis, however, price pressures weakened as CPI climbed 0.5% in July from June. These figures came in amid growing concerns about the recent rise in the fast-spreading Delta variant of Covid-19 virus.

The **Consumer Confidence Index** dropped 11.3 points in August to 113.8, according to the Conference Board. The reading was the lowest since February, a potentially troubling signal for economic momentum heading into the fall.

Yield Curve

The U.S. Treasury yield curve rose modestly in August. The yield on the 2-year U.S. Treasury note, which tends to reflect the outlook for Federal Reserve policy, opened the month at 0.18% and closed the month at 0.21%. The yield on the 10-year U.S. Treasury note, which is often used as a benchmark for pricing home mortgages, opened the month at 1.22% and closed the month at 1.31%. The yield on the 30-year U.S. Treasury bond, which tends to be highly sensitive to changes in inflation expectations, opened the month at 1.89% and closed the month at 1.93%.

The latest FOMC minutes were released, indicating that committee participants felt that headway had been made toward the dual mandate of maximum employment and price-stability. Most participants agreed that although progress toward price-stability had been met, there was room for improvement toward the maximum employment goal. Overall, it appeared that the majority of members were in favor of tapering asset purchases this year.

IN THIS ISSUE

ISM Manufacturing Index is based on data compiled from a nationwide survey of purchasing and supply management executives. The Consumer Price Index For All Urban Consumers (CPI-U) measures the changes in the price of a basket of goods and services purchased by urban consumers. The Consumer Confidence Index is a survey that measures how optimistic or pessimistic consumers are regarding their expected financial situation.

Fidelity INVESTMENTS®

TOTAL RETURN PERFORMANCE (%)

	August 2021	YTD	2020	2019	2018	2017
Bloomberg U.S. Aggregate Bond	-0.19	-0.69	7.51	8.72	0.01	3.54
Bloomberg Long Govt/Credit Bond	-0.30	-2.29	16.12	19.59	-4.68	10.71
Bloomberg Int. Govt/Credit Bond	-0.16	-0.30	6.43	6.80	0.88	2.14
Bloomberg 1-3 Year Govt/Credit Bond	0.00	0.17	3.33	4.03	1.60	0.84
Bloomberg U.S. Credit Bond	-0.24	-0.23	9.35	13.80	-2.11	6.18
Bloomberg Global Agg (Ex-U.S. Hedged)	-0.24	-0.46	3.94	7.57	3.17	2.48
10-Year Treasury	-0.29	-2.48	10.58	8.91	-0.03	2.05
ICE BofA U.S. High Yield Constrained	0.55	4.64	6.07	14.41	-2.26	7.47
J.P. Morgan EMBI Global	0.91	0.45	5.88	14.42	-4.61	9.32
S&P 500	3.04	21.58	18.4	31.49	-4.38	21.83

YIELDS (%)

	August 2021	MTD Change	YTD Change	2020	2019	2018	2017
2-Year Treasury (%)	0.21	0.03	0.09	0.12	1.57	2.49	1.88
5-Year Treasury (%)	0.78	0.09	0.42	0.36	1.69	2.51	2.21
10-Year Treasury (%)	1.31	0.09	0.40	0.91	1.92	2.68	2.41
30-Year Treasury (%)	1.93	0.04	0.29	1.65	2.39	3.02	2.74
3-Month LIBOR (%)	0.12	0.00	-0.12	0.24	1.91	2.81	1.69

OPTION-ADJUSTED SPREADS (BPS)

	August 2021	MTD Change	YTD Change	2020	2019	2018	2017
U.S. Corporate	86	1	-9	96	93	153	93
U.S. Credit	81	-1	-10	91	90	143	89
U.S. Credit AA	52	0	-9	61	52	81	55
U.S. Credit A	69	1	-5	74	69	118	73
U.S. Credit BBB	108	-1	-16	124	125	197	124
U.S. MBS	33	2	-6	39	39	35	25
CMBS	68	-1	-27	95	80	95	73
ABS	26	1	-6	33	44	53	36
U.S. High Yield	322	-12	-65	387	350	526	343
U.S. High Yield BB	218	-12	-47	265	191	354	211
U.S. High Yield B	371	-10	-12	383	346	531	343
U.S. High Yield CCC	648	24	-78	727	999	989	615
Leveraged Loans	411	-2	-41	452	436	502	390
Emerging Market Debt	302	28	19	283	306	343	226

Source: Bloomberg as of August 31, 2021.

Investment Grade Review

Investment Grade Bonds Down in August, Earn -0.19%%

The **Bloomberg U.S. Aggregate Bond Index** delivered a total return of -0.19% in a period characterized by modestly higher U.S. Treasury yields and relatively stable spreads on other type of bonds.

Government-related securities (GRS) were the best performing sector (on a duration-adjusted basis), outdistancing similar-duration U.S. Treasuries by 27 bps. Within this sector, sovereign bonds particularly fared well.

Commercial mortgage-backed securities (CMBS) were the second best performing spread sector, outperforming similar-duration U.S. Treasuries by 5 bps.

Asset-backed securities (ABS) were next in line, finishing with an excess return of 3 basis points. ABS collateralized by Autos finished on top, followed by Credit Cards and Utilities.

Mortgage-backed securities (MBS) underperformed similar-duration U.S. Treasuries by 3 bps. Within this sector, Ginnie Maes were the top-performing issues, followed by Fannie Maes and Freddie Macs.

Corporate bonds also trailed, underperforming similar-duration U.S. Treasuries by 5 bps. Financials were the best-performing sub-category, followed by Industrials and Utilities.

BLOOMBERG U.S. AGGREGATE INDEX PROFILE

Index Characteristics	Month End	12/20	12/19
YTW (%)	1.41	1.12	2.31
OAS	35	42	39
Modified Duration (yrs.)	6.56	6.35	6.06
# of issues	12,160	11,998	10,982

	Total Return (%)		Excess Returns (BPS)*	
	MTD	YTD	MTD	YTD
U.S. Agency	-0.09	-0.20	0.03	0.30
U.S. Credit	-0.24	-0.23	0.00	1.56
BBg Mortgage	-0.16	-0.31	-0.03	-0.67
BBg CMBS	-0.20	0.51	0.05	1.47
BBg ABS	-0.01	0.38	0.03	0.40

	Total Return (%)		Excess Returns (BPS)*	
	MTD	YTD	MTD	YTD
U.S. Treasury	-0.17	-1.43	0.00	0.00
Aaa Credit	-0.14	-0.47	0.03	0.50
Aa Credit	-0.25	-0.54	-0.01	1.37
A Credit	-0.29	-0.88	-0.05	0.97
Baa Credit	-0.21	0.37	0.05	2.23

			Excess Returns (BPS)*	
Asset-Backed Sector	%MV	MTD	YTD	2020
Credit Cards	26.4	0	39	90
Autos	71.6	4	39	116
Utility	1.9	-8	130	35

* Excess returns relative to similar-duration U.S. Treasury securities.

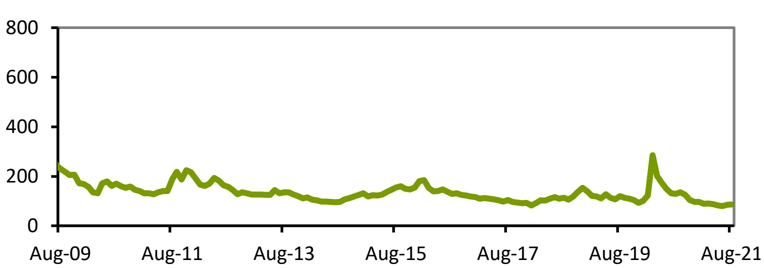
BLOOMBERG CORPORATE SECTORS

			Excess Returns (BPS)*	
	%MV	MTD	YTD	2020
Banks	20.9	9	80	158
Consumer Noncyclical	16.0	-14	160	150
Communications	9.6	-9	119	17
Technology	9.2	0	73	183
Energy	8.0	-13	358	-597
Electric Utilities	7.3	-27	136	13
Consumer Cyclical	6.9	-9	119	17
Capital Goods	5.7	-9	206	148
Basic Industry	2.8	1	243	186
Transportation	2.4	-18	196	73

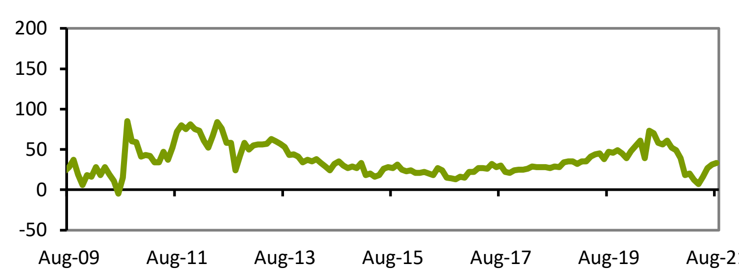
* Excess returns relative to similar-duration U.S. Treasury securities.

		OAS (BPS)		
	Month End	12/20	12/19	12/18
Banks	69	72	73	142
Consumer Noncyclical	84	90	92	147
Communications	111	119	110	183
Technology	73	76	74	124
Energy	111	137	128	188
Electric Utilities	101	107	96	144
Consumer Cyclical	76	82	92	153
Capital Goods	83	99	82	142
Basic Industry	105	121	132	185
Transportation	98	115	96	139

BLOOMBERG CREDIT OPTION-ADJUSTED SPREAD (BPS)



BLOOMBERG MBS OPTION-ADJUSTED SPREAD (BPS)



Source: Bloomberg as of August 31, 2021.

Money Market Review

Jerome Powell Hints Taper Start by the End of the Year at Jackson Hole Meeting

- In his speech at the Fed's annual Jackson Hole Economic Symposium, Fed Chair Jerome Powell signaled that the Fed could begin tapering asset purchases this year as the U.S. economy rebounds from the Covid-19 pandemic but cautioned that it does not foreshadow rate hikes. The Fed has been buying $120 billion of Treasuries and agency mortgage-backed securities per month to help support the economy until "substantial further progress" is made on their employment and inflation goals.
- Jobs gains have risen gradually over the course of the year and have averaged 832,000 over the past three months, but the recent spread of the Covid-19 delta variant represents a near-term risk. The sharp rise in inflation has been viewed as likely to be temporary as a result of the rapid reopening of the economy.

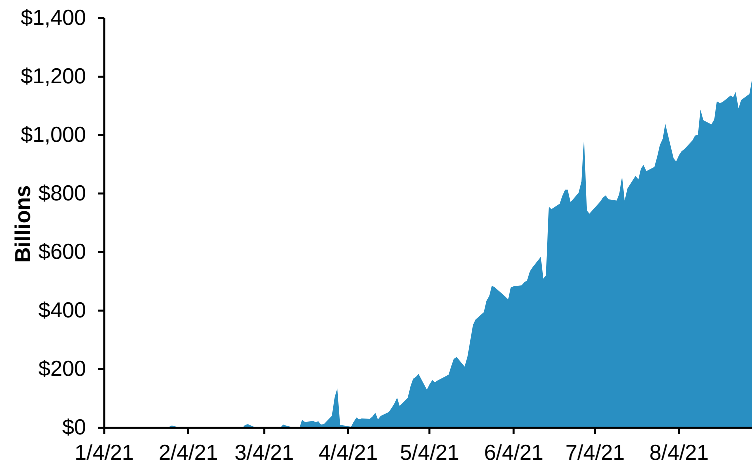
Fed Overnight Reverse Repurchase (RRP) Agreement Facility Closes August at All-Time High

- In response to limited investment options in the front end of the curve and an excess amount of liquidity, balances at the Fed's RRP facility reached a record high of $1.19 trillion on August 31st.
- RRP usage is expected to continue to rise as more reserves flood the system from the Fed's ongoing asset purchases and the Treasury's drawdown of its Treasury General Account (TGA) cash balance.

Taxable Money Market Assets Move Higher in August

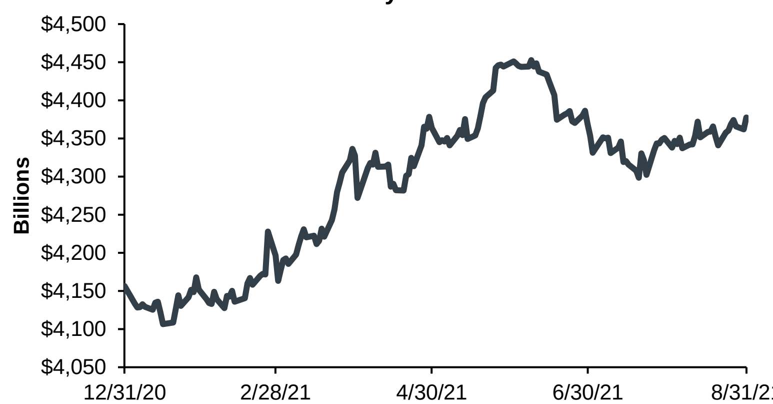
- Assets in taxable money market funds increased by $27 billion in the month of August and are higher by $221 billion year-to-date.
- Year-to-date, through August 31st, Prime MMF assets have decreased by $65 billion, Government and Agency MMF assets are higher by $263 billion, and Treasury MMF assets have increased by $23 billion.

Fed Overnight Reverse Repurchase Agreement Facility Usage



Source: Federal Reserve and Bloomberg as of 8/31/2021.

Taxable Money Market Fund AUM

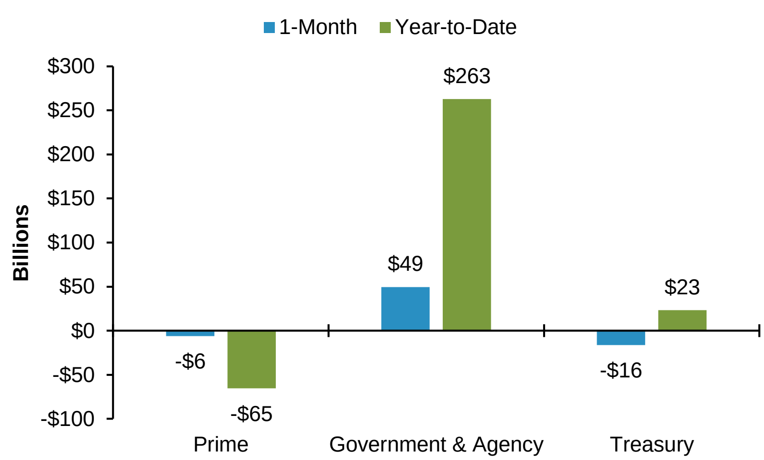


Source: iMoneyNet as of 8/31/2021.

KEY INTEREST RATES

Rates (%)	Jun	Jul	Aug
Fed Funds Effective	0.08	0.07	0.06
1M Bill	0.04	0.03	0.03
3M Bill	0.04	0.04	0.04
6M Bill	0.05	0.05	0.05
12M Bill	0.07	0.06	0.06
SOFR	0.05	0.05	0.05
1M LIBOR	0.10	0.09	0.08
3M LIBOR	0.15	0.12	0.12
SIFMA	0.03	0.02	0.02
Treasury Only MMF*	0.01	0.01	0.01
Treasury MMF*	0.02	0.01	0.01
Gov't & Agencies MMF*	0.02	0.02	0.02
Prime MMF*	0.03	0.03	0.03

Change in Taxable Money Market Fund AUM



Source: iMoneyNet as of 8/31/2021.

* 7-Day Yield average for institutional category. Source: Bloomberg and iMoneyNet as of 8/31/2021.

You could lose money by investing in a money market fund. An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Before investing, always read a money market fund's prospectus for policies specific to that fund.

High Yield Review

High Yield Bonds Advance in August, Earn 0.55%

High yield bonds, as measured by the ICE BofA US HY Constrained index, rose 0.55% in August amid an increase in market volatility associated with the spread of COVID-19's delta variant and speculation surrounding an announcement from the Fed to start tapering asset purchases. Oil prices finished the month of August at $68.50, down from $73.95 per barrel at the end of July. Oil prices fell as the spike in coronavirus cases weighed on demand recovery sentiment. High yield funds reported inflows of $344 million in August, a reversal from the outflows posted in the prior three months. Inflows were driven by mutual funds, which attracted $573 million of assets, while ETFs reported an outflow of $229 million.

Bond issuance was off to a strong start in August, but activity waned in the later half of the month, totaling $34.4 billion with non-refinancing volume at $16.0 billion. There were no defaults in August, continuing the trend of declining activity over the past eight months. All but the railroad industry posted positive returns in August with the paper, entertainment/film, and broadcasting industries performing the best. The railroad, utilities, and metals/mining industries underperformed the most. As measured by the ICE BofA US High Yield Constrained credit quality indices, the triple-C and lower rated credit index performed the best, returning 0.62% in August. The double-B and single-B rated bonds returned 0.56% and 0.48%, respectively.

The price of high yield bonds finished the month at $105.03, down a penny from $105.04 at the end of July. Spreads narrowed 12 basis points to 322 at month-end. Yields decreased 7 basis points to close August at 3.96%. The default rate for the U.S. high yield market as calculated by Moody's declined to 3.05% at the end of July. The forecasted default rate is expected to decline and stabilize in the high-1% range over the next twelve months.

ICE BofA U.S. HIGH-YIELD CONSTRAINED INDEX PROFILE

	Month End	12/20	12/19
YTW (%)	3.96	4.26	5.41
Modified Duration (yrs)	5.24	5.07	4.58
OAS (bp)	322	387	360
# of Issues	2,117	2,030	1,775

TOTAL RETURN (%)

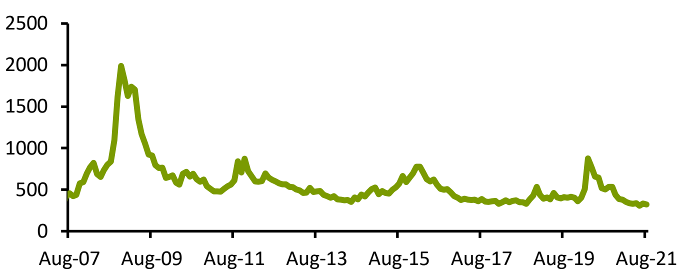
	%MV	MTD	YTD	2020	2019
ICE BofA U.S. High-Yield Constrained	100.0	0.55	4.64	6.07	14.52
Cash Pay	99.2	0.55	4.53	6.21	14.47
BB-rated	55.4	0.56	3.75	7.89	15.74
B-rated	33.2	0.48	3.87	3.12	14.48
CCC-rated	11.4	0.62	9.68	4.35	9.21

ICE BofA HIGH-YIELD CORPORATE SECTORS

	%MV	OAS (BPS)	MTD	YTD	2020	2019
Energy	13.6	406	0.90	11.01	-6.62	5.73
Healthcare	8.9	298	0.35	2.48	9.05	15.51
Telecom	7.3	340	0.49	2.21	6.69	15.57
Technology	7.1	309	0.53	4.07	4.91	14.11
Autos	5.0	245	0.15	4.56	9.58	16.57
Cable TV	3.8	267	0.30	2.04	6.65	18.59
Gaming	3.7	327	0.61	3.55	4.64	17.23
E. Utilities	3.0	294	0.09	0.85	7.63	14.93
Chemical	2.3	322	0.36	4.08	8.63	15.62
Paper	0.2	338	0.26	2.78	7.86	11.74

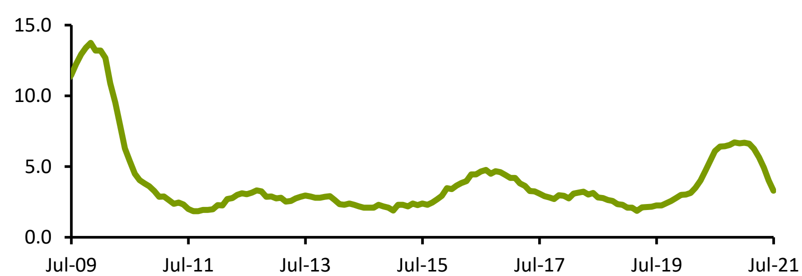
Source: ICE BofA, as of August 31, 2021.

HIGH-YIELD BOND SPREADS (OAS BPS)



Source: ICE BofA and Bloomberg, as of August 31, 2021.

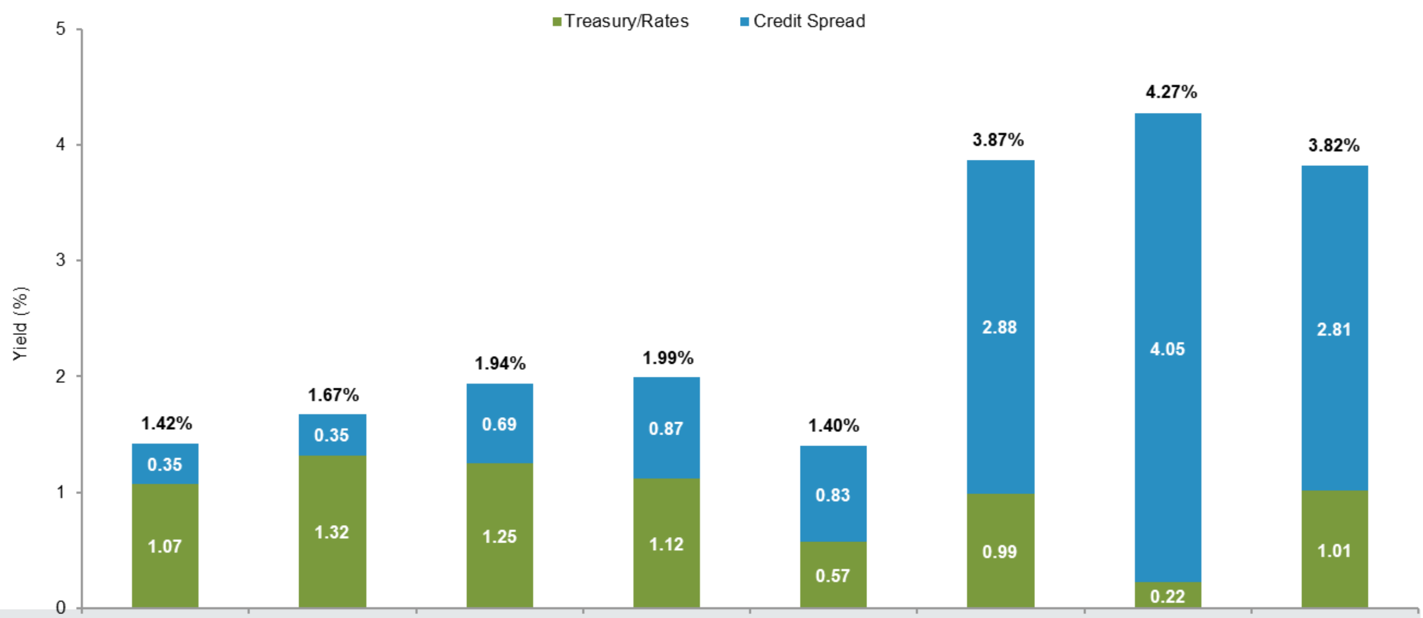
MOODY'S TRAILING 12-MONTH DEFAULT RATE (%)



Source: Moody's Investor Services, Inc., as of July 31, 2021 (latest available).

Chart of the Month

Fixed income yields and spreads continue to trade relatively tight in relation to their long-term averages.



Percentile Rank	U.S. Aggregate	Securitized	Local Authorities	U.S. Corp IG	International Credit	U.S. Corp HY	Lev Loan	EMD
Yield Rank	7	9	3	4	3	1	1	4
Spread Rank	5	39	1	3	1	1	16	19

Percentile ranks based on month-end data from January 2009 – August 2021

Source: Bloomberg and S&P, as of 8/31/2021.

For investment professional or institutional investor use only.

This document does not make an offer or solicitation to buy or sell any securities or services and is not investment advice. FIAM does not provide legal or tax advice and we encourage you to consult your own lawyer, accountant, or other advisor before making an investment. *Information provided in this document is for informational and educational purposes only. To the extent any investment information in this material is deemed to be a recommendation, it is not meant to be impartial investment advice or advice in a fiduciary capacity and is not intended to be used as a primary basis for you or your client's investment decisions. Fidelity and its representatives may have a conflict of interest in the products or services mentioned in this material because they have a financial interest in them, and receive management, distribution, and/or servicing of these products or services, including Fidelity funds, certain third-party funds and products, and certain investment services.*

Past performance is no guarantee of future results.
Indices are unmanaged and you cannot invest directly in an index. Index or benchmark performance shown does not reflect the deduction of advisory fees, transaction charges and other expenses, which if charged would reduce performance.

INDEX DEFINITIONS:
Bloomberg U.S. Mortgage Backed Securities Index: Tracks agency mortgage-backed pass-through securities (both fixed-rate and hybrid ARM) guaranteed by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC). The index is constructed by grouping individual TBA-deliverable MBS pools into aggregates or generics based on program, coupon and vintage.
Bloomberg Long Govt/Credit Bond Index: Measures the investment return of all medium and larger public issues of U.S. Treasury, agency, investment-grade corporate, and investment-grade international dollar-denominated bonds with maturities longer than 10 years.
Bloomberg Int. Govt/Credit Bond Index: measures the performance of U.S. dollar-denominated U.S. Treasuries, government-related and investment grade U.S. corporate securities that have a remaining maturity of greater than one year and less than ten years.
Bloomberg 1-3-year Govt/Credit Bond Index: A market value-weighted index of fixed-rate investment-grade debt securities with maturities from one to three years from the U.S. Treasury, U.S. Government-Related, and U.S. Corporate Indexes.
Bloomberg Global Aggregate Index: Flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.
Bloomberg U.S. Aggregate Bond Index: Bloomberg (BBg) U.S. Aggregate Bond Index is a broad-based flagship benchmark that measures the investment-grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, mortgage-backed securities (agency fixed-rate pass-throughs), asset-backed securities, and collateralized mortgage-backed securities (agency and non-agency).
Bloomberg U.S. Credit Bond Index: Measures the investment grade, US dollar-denominated, fixed-rate, taxable corporate and government related bond markets. It is composed of the U.S. Corporate Index and a non-corporate component that includes foreign agencies, sovereigns, and local authorities.
Bloomberg U.S. Government/Credit Index: A broad-based flagship benchmark that measures the non-securitized component of the U.S. Aggregate Index. It includes investment grade, U.S. dollar-denominated, fixed-rate Treasuries, government-related and corporate securities.
Bloomberg U.S. Treasury Index: Unmanaged index of public obligations of the U.S. Treasury with remaining maturity of one year or more.
ICE BofA U.S. High Yield Constrained Index: Modified market capitalization–weighted index of U.S. dollar-denominated below-investment-grade corporate debt publicly issued in the U.S. domestic market. Qualifying securities must have a below-investment-grade rating (based on an average of Moody's, S&P, and Fitch). The country of risk of qualifying issuers must be an FX-G10 member, a Western European nation, or a territory of the U.S. or a Western European nation.
J.P. Morgan Emerging Markets Bond Index Global (JPM EMBI Global): Includes U.S. dollar denominated Brady bonds, Eurobonds, traded loans and local market debt instruments issued by sovereign and quasi-sovereign entities.
S&P 500 Index: An index of 500 stocks chosen for market size, liquidity and industry grouping, among other factors. The S&P 500 is designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe.

Certain data and other information in this report was supplied by outside sources and is believed to be reliable as of the date presented. However, FIAM has not and cannot verify the accuracy of such information, and such information is subject to change without notice.

In general the bond market is volatile, and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities.) Unlike individual bonds, most bond funds do not have a maturity date, so holding them until maturity to avoid losses caused by price volatility is not possible. Fixed income securities also carry inflation risk and credit and default risks for both issuers and counterparties. Lower-quality debt securities generally offer higher yields, but also involve greater risk of default or price changes due to potential changes in the credit quality of the issuer.

Views expressed are as of the date indicated, based on the information available at that time, and may change based on market and other conditions. Unless otherwise noted, the opinions provided are those of the author and not necessarily those of Fidelity Investments or its affiliates. Fidelity does not assume any duty to update any of the information.

Fidelity Institutional℠ (FI) provides investment products through Fidelity Distributors Company LLC; clearing, custody, or other brokerage services through National Financial Services LLC or Fidelity Brokerage Services LLC, Members NYSE, SIPC; and institutional advisory services through Fidelity Institutional Wealth Adviser LLC.

808752.52.0

1.931730.152
0921