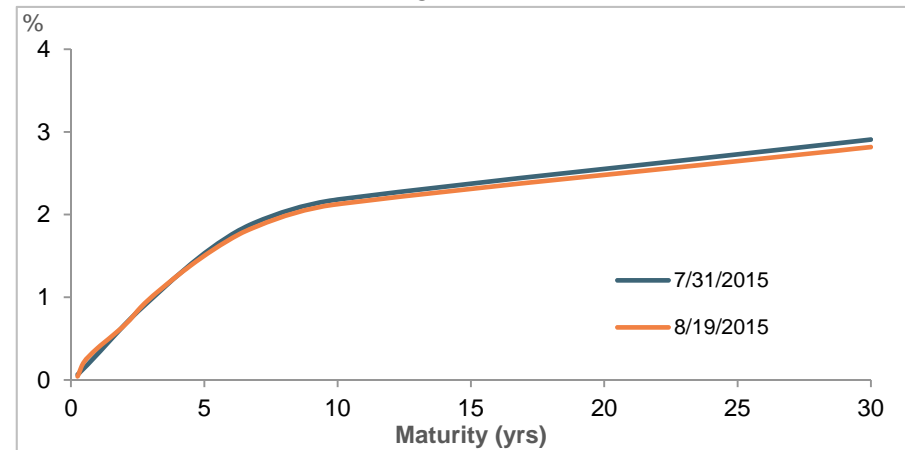




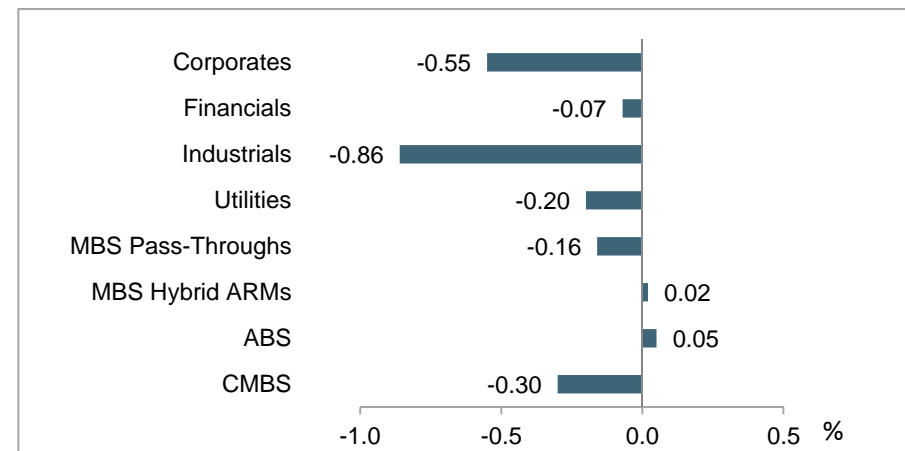
- Treasury rates fell modestly week-over-week as demand for safe haven bonds increased given continued weakness in the global economy
 - Despite strength in the US, market participants question whether or not the Federal Reserve will begin raising rates amid weaker financial markets abroad
 - The 10-year Treasury rate has dropped 6bps month-to-date to 2.13%, falling through the year-end 2014 level of 2.17%¹
- Consumer prices climbed 0.1% month-over-month, the slowest pace in three months, as energy prices fell amid heavy supply¹
- Mergers and acquisitions activity sparked issuance in the corporate primary market
 - Month-to-date supply totaled over \$45 billion versus an average volume of approximately \$50 billion historically in August²
- Corporate spreads underperformed Treasuries given the issuance glut, flight-to-safety trade, and falling oil prices
 - Investment-grade spreads widened 8bps to 162bps during the month, the highest level of 2015³
- Corporate earnings declined about 4.0% on average during the second quarter, driven lower by the weak energy sector¹
- Agency mortgage-backed securities underperformed Treasuries in sympathy with the weak corporate market as investors rotated into cheaper trading sectors
- Puerto Rico's water utility plans to bring a \$750 million deal to market this week at a yield of approximately 10%¹
 - The CCC-rated bond sale will be the first issue sold by the commonwealth since defaulting on a payment earlier this month

Treasury Yield Curve¹



Maturity	2-year	5-year	10-year	30-year
8/19/2015	0.66	1.50	2.13	2.82
MTD Change	0.00	-0.03	-0.06	-0.09

MTD Excess Returns^{3*}



Sources: 1. Bloomberg 2. JPMorgan 3. Barclays

*Excess returns are the curve-adjusted excess return of a given index relative to a term structure-matched position in Treasuries.

The views contained in this report are those of IR+M and are based on information obtained by IR+M from sources that are believed to be reliable. This report is for informational purposes only and is not intended to provide specific advice, recommendations, or projected returns for any particular IR+M product. No part of this material may be reproduced in any form, or referred to in any other publication, without express written permission from Income Research & Management.