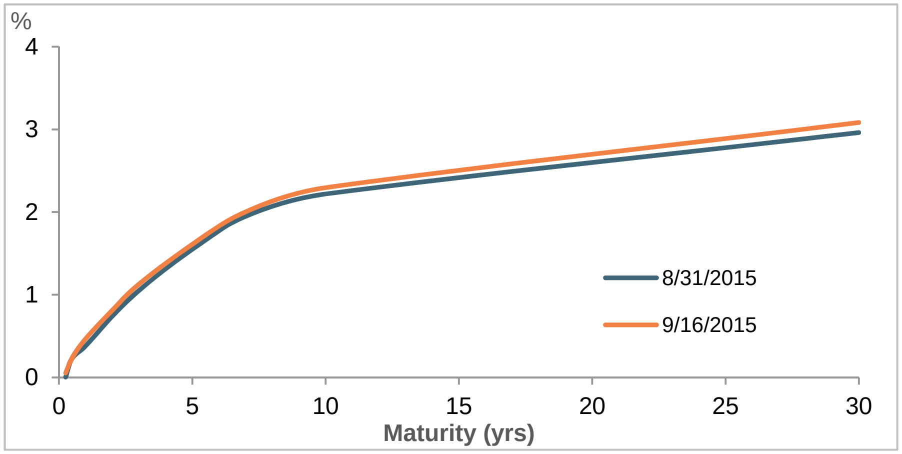
IR+M INCOME RESEARCH + MANAGEMENT

IR+M CLIENT UPDATE

September 11 – 17, 2015

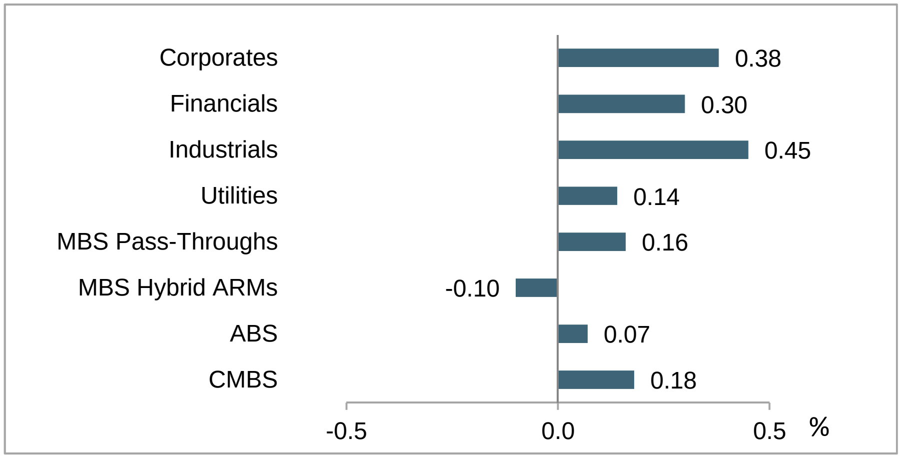
- The Federal Reserve (Fed) decided today that short-term rates will remain unchanged given weak inflation data and volatility in financial markets[1]
  - Treasuries rallied across the curve following the announcement
  - Fed Chair Janet Yellen emphasized that even if the committee raises rates this year, "the stance of monetary policy will remain highly accommodative for quite some time"
- With the Fed expected to end its zero interest-rate policy sometime in 2015, Treasury yields increased modestly month-to-date in anticipation of today's policy meeting[1]
  - The majority of market economists predicted the Fed would raise rates today, while market participants priced in only a 30% chance of a hike
  - The 5-year Treasury rate traded in a 14bps range month-to-date given the uncertain outlook for monetary policy
- Corporate issuance surpassed $50 billion month-to-date, already topping the issuance total from August, as issuers looked to bring deals to market ahead of the Fed meeting[2]
  - Year-to-date issuance has totaled over $850 billion, on pace to exceed last year's total of $1 trillion
- Investment-grade spreads tightened 3bps to 160bps month-to-date, as strong demand from investors neutralized heavy new issuance volume[3]
- Agency mortgage-backed securities (MBS) outperformed Treasuries as rates edged higher, reducing refinance incentive
- In the municipal market, new-issue supply slowed as a result of lower refunding activity, which supported valuations in the secondary market
  - Despite a recent slowdown, investors expect $400 billion in total municipal supply during 2015 versus $330 billion last year[1]

Treasury Yield Curve[1]



Maturity	2-year	5-year	10-year	30-year
9/16/2015	0.81	1.61	2.30	3.08
MTD Change	0.07	0.06	0.08	0.12

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.