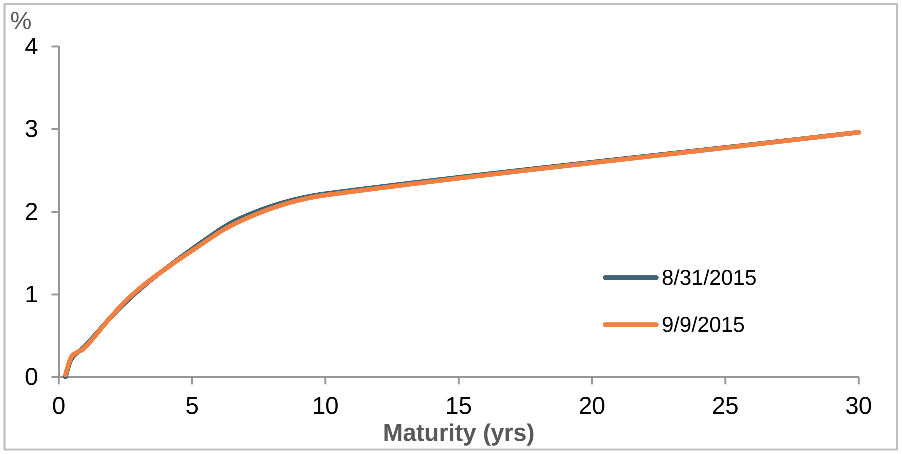
IR+M INCOME RESEARCH + MANAGEMENT

IR+M CLIENT UPDATE
September 1 – 10, 2015

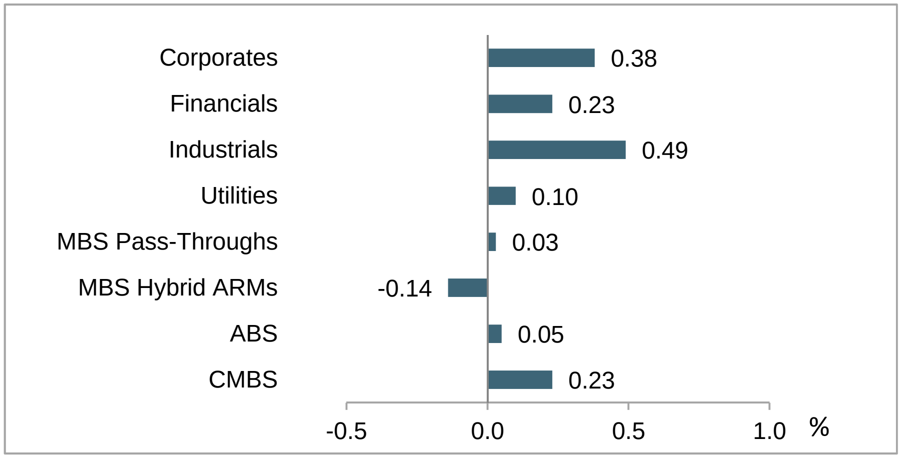
- Treasury bonds traded in a narrow range ahead of the Federal Reserve's (Fed) policy meeting next week, as mixed economic data provided no confirmation on the timing of interest rate changes
  - The 10-year Treasury rate hovered in a 7bp range month-to-date, closing Wednesday at 2.20%[1]
- Last week's employment report indicated that the economy added a less-than-anticipated 173,000 jobs in August; however, the unemployment rate declined 0.2% to 5.1% and wage growth exceeded expectations[1]
- Outside the US, rating agency Standard and Poor's downgraded Brazil into "junk" territory (below investment-grade) following a report that the country's economy contracted 1.9% in the second quarter[1]
- The corporate primary market came alive on Wednesday following a late summer hiatus, a sign of strength in the bond market after weakness in August
  - High-grade supply totaled approximately $21 billion across 14 issuers, including Gilead Sciences, Marriot International, and Lowe's[2]
- Corporate bonds outperformed Treasuries amid strong demand for new issue supply and a rebound in the oil market
  - Investment-grade spreads tightened 3bps month-to-date to 160bps, after hitting a recent high of 168bp in late August[3]
- In the securitized market, new issuance ticked up as risk sentiment improved, with 13 deals in the market totaling approximately $8 billion[1]
- Puerto Rico released a 5-year restructuring plan to help reduce the island's $28 billion financing gap[1]
  - The proposal would likely include losses on Puerto Rico's $72 billion in debt, but did not contain precise estimates

Treasury Yield Curve[1]



Maturity	2-year	5-year	10-year	30-year
9/9/2015	0.74	1.53	2.20	2.96
MTD Change	0.00	-0.02	-0.02	0.00

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.