US Treasuries posted gains as weak economic data signaled to the market that accommodative monetary policy will remain in place for the near-term

- The 10-year Treasury yield closed below 2.00% this week for the first time since late April¹

- Consumer prices fell 0.2% month-over-month driven by weak commodity prices and the strong US dollar¹
  
  - Excluding food and energy, the cost of living rose 0.2% on higher housing costs; however, annual inflation continued to fall short of the Federal Reserve’s 2% target

- Corporate supply totaled less than $28 billion month-to-date, as the pace of issuance slowed entering third quarter earnings season²
  
  - Year-to-date new issue has totaled nearly $940 billion, with full-year estimates calling for nearly $1.2 trillion in 2015

- Third quarter earnings season kicked off with many of the large financial institutions reporting results
  
  - Thus far, bank earnings came in weaker than expected as market volatility and post-crisis financial reform hurt trading revenues

- Energy and basic sectors led a corporate rally as oil prices rebounded modestly month-to-date following weakness in September
  
  - Crude oil prices increased $2 to $47, driving corporate spreads 3bps tighter to 166bps³

- Commercial mortgage-backed securities (CMBS) outperformed Treasuries month-to-date as new-issue underwriting fundamentals showed signs of stabilization

- In the municipal market, Puerto Rico entered negotiations with the US Treasury to potentially issue a “superbond” that would help restructure the commonwealth’s large debt pile

Sources: 1. Bloomberg  2. JPMorgan  3. Barclays

¹Excess returns are the curve-adjusted excess return of a given index relative to a term structure-matched position in Treasuries.

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