IR+M

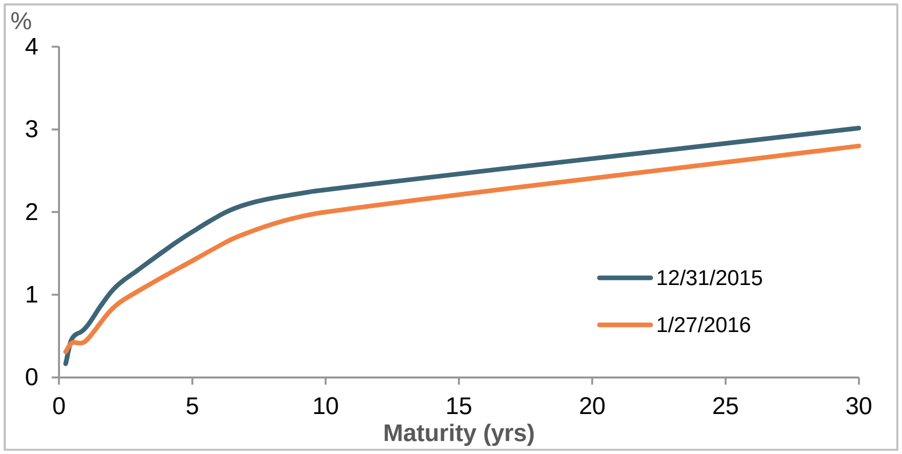
INCOME RESEARCH + MANAGEMENT

IR+M CLIENT UPDATE

January 22 – 28, 2016

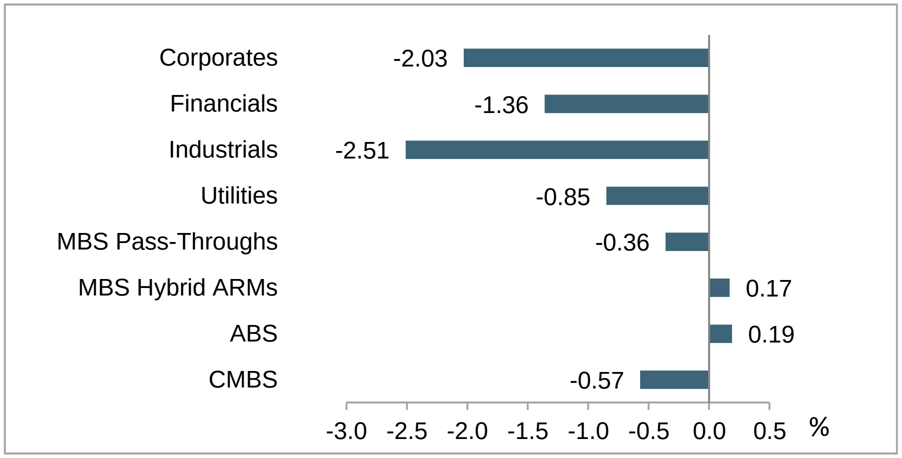
- The Federal Reserve (Fed) met this week for the first time since they raised the federal funds target rate in December of 2015[1]
    - The Fed decided to leave interest rates at their current level, but did not take a March rate hike off the table – the market is pricing in less than a 20% chance
    - In their post-meeting statement the Fed indicated that they are "closely monitoring global economic and financial developments and are assessing their implications for the labor market and inflation"
- After a strong rally early in the month, the 10-year Treasury has since settled around 2%[1]
- In 2016, the corporate primary market has remained busy with over $107 billion in issuance, relative to only $82 billion last January[3]
    - Almost half of this year's new issue was from the $46 billion Anheuser-Busch Inbev deal
- More than 170 companies in the S&P 500 have reported fourth quarter earnings[1]
    - Average sales and earnings declined by rates of 1.59% and 3.79%, respectively
    - Month-to-date corporate excess returns continue to deteriorate amid market volatility and the risk-off environment
- The CMBS market has underperformed year-to-date in sympathy with other spread product
- The Chicago Board of Education (CBOE) planned on raising $875 million in municipal debt on Wednesday, but postponed the issuance, and is considering the deal on a day-to-day basis[1]
    - The CBOE laid off 227 employees and eliminated 180 vacant positions as it deals with a budget and liquidity crisis

Treasury Yield Curve[1]



Maturity	2-year	5-year	10-year	30-year
1/27/2016	0.83	1.41	2.00	2.80
MTD Change	-0.22	-0.35	-0.27	-0.22

MTD Excess Returns[2*]



Sources: 1. Bloomberg 2. Barclays 3. Citigroup

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