

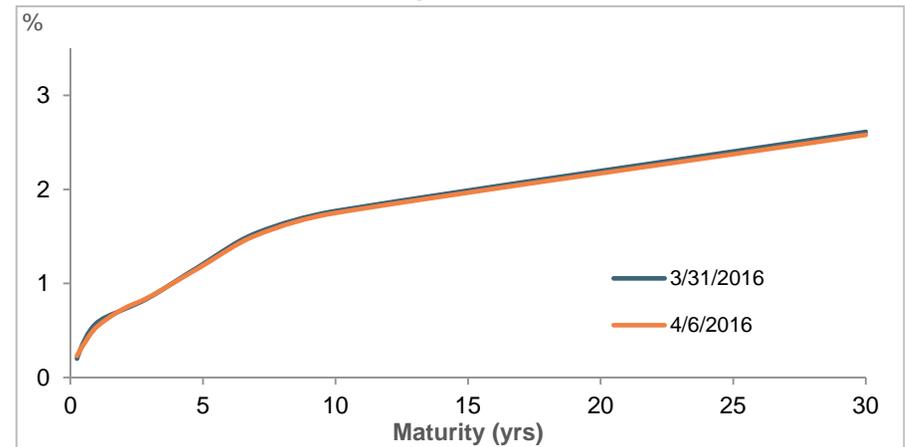


IR+M CLIENT UPDATE

April 1 – 7, 2016

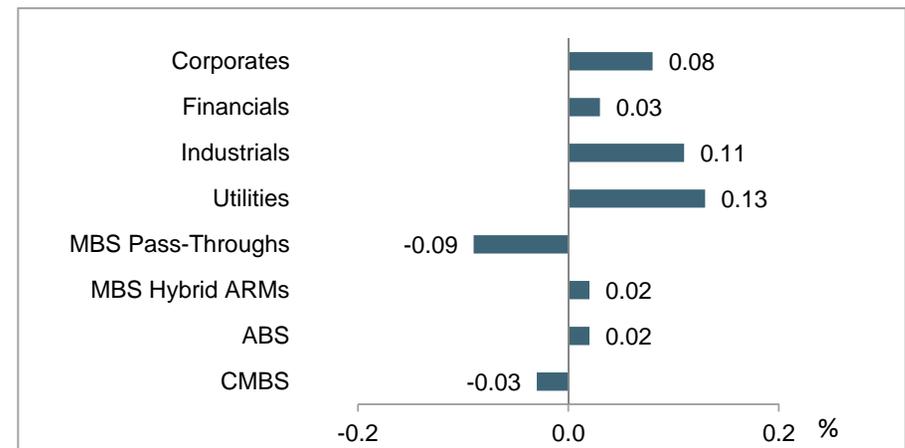
- Minutes from the Federal Reserve’s (Fed) March meeting confirmed that the Fed is not in a rush to raise interest rates and they expect a slow recovery in the global economy¹
 - The minutes concluded that raising interest rates in April “would signal a sense of urgency they did not think appropriate”; the market believes the probability of an April hike is near 0%
- Interest rates have trended lower across the curve year-to-date, with the 10-year yield currently at 1.75%, after starting the year at 2.27%¹
- Corporate issuance was met with healthy demand as investors continued to have a solid appetite for high-quality corporate bonds¹
 - This week’s issuers included Mizuho Financial Group Inc. (\$3bn), Toyota Motor Credit Corp. (\$2bn), BMW US Capital, LLC (\$2.5bn), and Target Corp. (\$2bn)
- Corporate spreads continued tightening to 162 basis points this week, after starting the year at 165 basis points and widening out to a 3-year high of 215 basis points in February²
- Due to a pickup in prepayment speeds, the Fed is expected to buy \$32 billion in mortgage-backed securities (MBS) this month, which is \$10 billion more than last month and should create a positive technical for the market¹
- San Bernardino, California, which had one of the highest tracked municipal bankruptcies over the last few years, agreed to a settlement deal that will payout pension bondholders 40% of what they’re owed¹
 - The city declared bankruptcy back in 2012, after facing a \$45 million deficit, and initially proposed a deal that would pay pension bondholders a mere 1%

Treasury Yield Curve¹



Maturity	2-year	5-year	10-year	30-year
4/6/2016	0.73	1.19	1.75	2.58
MTD Change	0.01	-0.02	-0.02	-0.03

MTD Excess Returns^{2*}



Sources: 1. Bloomberg 2. Barclays

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

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