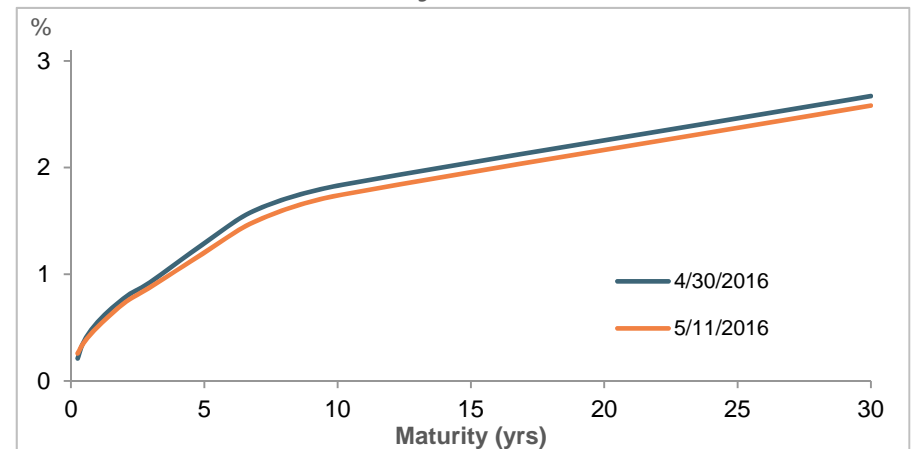




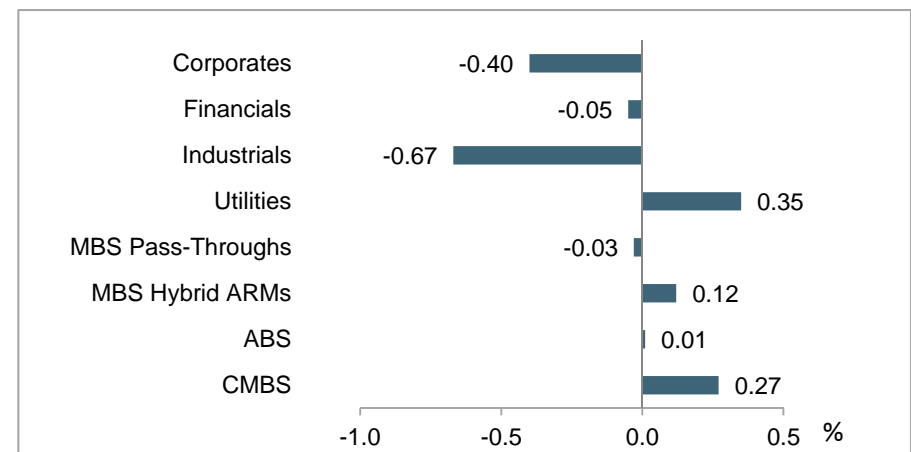
- Last Friday's jobs report fell short of expectations with 160,000 jobs added in April, versus forecasts of 200,000 jobs<sup>1</sup>
- Interest rates have fallen month-to-date, especially in the long end of the curve<sup>1</sup>
  - The 10-year Treasury rate, which started the year at 2.27%, fell 9bps month-to-date, extending a 53bps rally to 1.74%
- As the first quarter earnings season winds down, the tone in the market is better than expected, after the majority of companies in the S&P 500 announced earnings that surprised to the upside
  - Despite beating forecasts, the energy sector was a sore spot, with the largest year-over-year decline in earnings amongst corporates due to depressed commodity prices
- After a few quiet weeks during the height of the corporate earnings season, the corporate new issue market came alive as healthy demand greeted more than \$40 billion in supply<sup>1</sup>
- Month-to-date, corporate spreads have generally been range-bound following a significant rally from the highs in mid-February
- The Federal Housing Finance Agency (FHFA) boosted the cap on multifamily loans that Fannie Mae and Freddie Mac can own, from \$31 billion to \$35 billion
  - The cap revision will increase the supply in the Agency CMBS market and could prove to be a negative technical factor for the sector
- The municipal market has performed relatively well year-to-date as sustained inflows and lower supply support the market, evidenced by strong demand across new issues

Treasury Yield Curve<sup>1</sup>



Maturity	2-year	5-year	10-year	30-year
5/11/2016	0.73	1.20	1.74	2.58
MTD Change	-0.05	-0.09	-0.09	-0.09

MTD Excess Returns<sup>2\*</sup>



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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