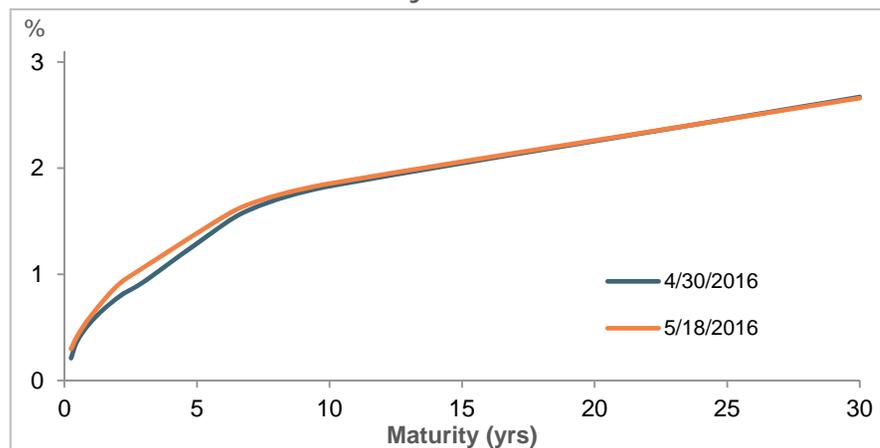




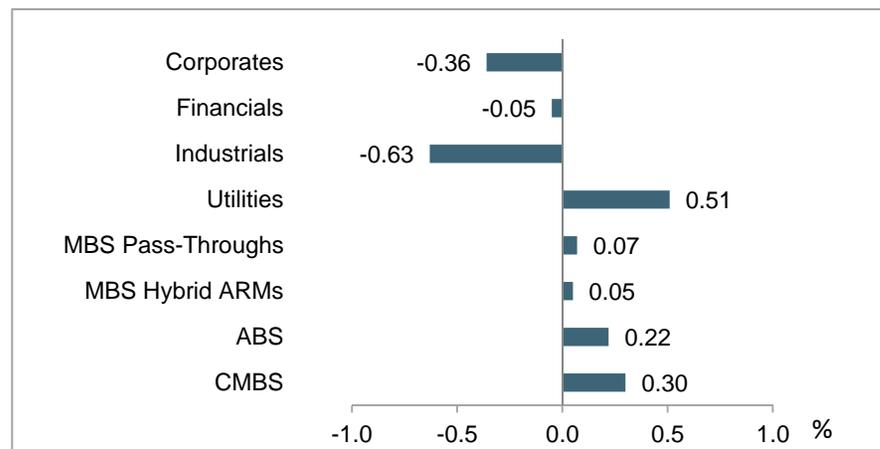
- Investors sold out of risky assets on Wednesday after minutes from April's Federal Reserve (Fed) meeting indicated that a rate hike in June is still on the table, depending on the strength of near-term economic data¹
 - Post-meeting, the odds the market was placing on a June hike exceeded 30%, after starting the day below 5%
 - Short-term Treasuries sold off in reaction to the minutes, with the 2-year rate, which started the month at 0.78%, reaching its month-to-date high of 0.89%
- In April, US housing starts rose by 6.6% month-over-month, and building permits picked up by 3.6%, signifying strength in the housing market¹
- Dell Inc. came to market this week with \$20 billion in issuance across the curve – the deal was well subscribed with over \$85 billion in demand¹
 - Dell's offering was the second largest bond deal of the year and will help finance a \$67 billion acquisition of EMC
- Heavy corporate supply weighed on secondary spreads, with over \$100 billion in issuance month-to-date
 - Spreads in the investment-grade industrial sector, which rallied significantly since mid-February, widened out 8bps to 157bps
- In the ABS market, both Nissan and Hyundai came to market early in the week with auto lease deals that met strong demand
- Heightened demand across the curve drove yields on municipal bonds to record lows, in spite of the heavy new issue calendar
 - As secondary trading has become increasingly more competitive in the tax-exempt market, investors have looked to the primary market to gain exposure, leading to deals that were very well oversubscribed

Treasury Yield Curve¹



Maturity	2-year	5-year	10-year	30-year
5/18/2016	0.89	1.39	1.86	2.66
MTD Change	0.11	0.10	0.02	-0.01

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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