Short-term Treasuries are at month-to-date highs after last week’s release of the Federal Reserve’s (Fed) April meeting minutes, which implied that a June rate hike is still on the table¹

- The market is pricing in a 30% probability that the Fed will hike interest rates in June and a 52% probability of a rate hike in July

In the US, after three months of declining new home sales, April’s sales jumped by 16.6%, the largest month-over-month increase since 1992¹

- The demand for housing was propelled by an increase in jobs, rising wages, and low financing costs

Corporate issuance surged in May exceeding $145 billion month-to-date, the highest level in the past year²

- Both Dell and Walgreens came to market with multi-billion dollar acquisition inspired debt offerings, where Dell looked to finance their acquisition of EMC and Walgreens looked to fund their purchase of Rite Aid

Despite the strong uptick in supply, investment-grade corporate spreads showed resilience, widening only 4bps month-to-date³

In the securitized market, total new issuance exceeded $6.5 billion and all deals were 2-6x oversubscribed, with the majority of deals pricing 5-10bps wider than bonds trading in the secondary market¹

Congress continued to work on moving a bill forward that will create a debt restructuring process for Puerto Rico and would enable a federal oversight board to supervise the commonwealth’s financial stability

- The bill will help Puerto Rico partner with their creditors to determine more feasible repayment terms


*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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