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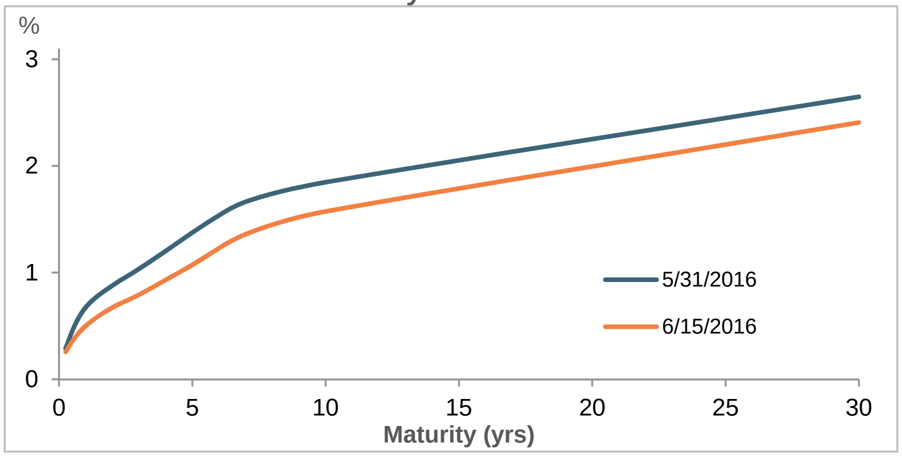
IR+M CLIENT UPDATE
June 10 – 16, 2016

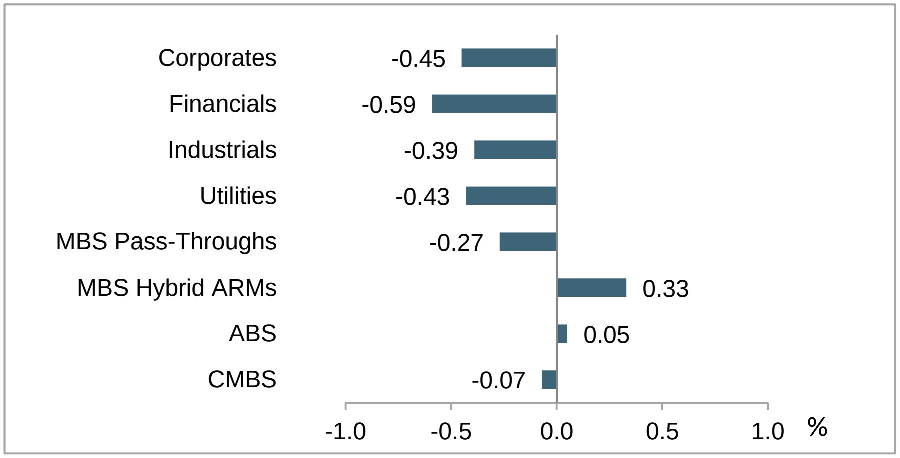
- Following this week's two-day policy meeting, the Federal Open Market Committee (FOMC) voted unanimously to leave the federal funds rate unchanged and lowered its projection for future hikes[1]
    - Federal Reserve (Fed) Chair Janet Yellen cited inconsistent US economic data and global uncertainty as factors driving their cautious stance
    - Aided by the no-hike decision, Treasuries continued to rally with the 10-year and 30-year rates moving 27bps and 24bps lower month-to-date, respectively
- Economic releases painted a mixed picture of the economy; retail sales rose 0.5% in May, while industrial production contracted 0.4%, largely due to softness in the auto and utility sectors[1]
- The investment-grade corporate primary market hit the brakes this week, with approximately $3 billion pricing versus estimates of $10-15 billon[2]
    - Year-to-date issuance totals approximately $630 billion, which is in-line with last year's record pace
- Corporate spreads leaked wider across all sectors, as political risks continued to weigh on the market, most notably the Brexit threat and shifting central bank policy[3]
    - Investment-grade spreads widened 6bps to 155bps month-to-date
- Year-to-date asset-backed security (ABS) issuance trails last year's pace, with $98 billion in gross supply versus $121 billion last year[1]
- Last week, the state Supreme Court upheld New Jersey Governor Chris Christie's 2011 suspension to the cost of living adjustments for retirees' pension benefits[1]
    - The ruling doesn't reduce the current pension liability outright, but it prevents an already bad situation from getting worse

Treasury Yield Curve[1]



Maturity	2-year	5-year	10-year	30-year
6/15/2016	0.67	1.07	1.57	2.41
MTD Change	-0.21	-0.30	-0.27	-0.24

MTD Excess Returns[3*]



Sources: 1. Bloomberg 2. Citigroup 3. 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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