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 hikes¹.

- 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 sectors¹.
- The investment-grade corporate primary market hit the brakes this week, with approximately $3 billion pricing versus estimates of $10-15 billion².
  - 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 policy³.
  - 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 year¹.
- Last week, the state Supreme Court upheld New Jersey Governor Chris Christie’s 2011 suspension to the cost of living adjustments for retirees’ pension benefits¹.
  - The ruling doesn’t reduce the current pension liability outright, but it prevents an already bad situation from getting worse.


¹Excess returns are the curve-adjusted excess return of a given index relative to a term structure-matched position in Treasuries.

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