Treasury rates rallied, particularly in the long-end, as the 10-year and 30-year rates touched record lows of 1.32% and 2.10%, respectively. On the week, the 10-year fell 10bps to close at 1.37% and the 30-year fell 15bps to close at 2.14%

The Federal Open Market Committee’s June meeting minutes indicated that Federal Reserve officials are taking a wait-and-see approach to the rate hike decision, given mixed US economic data and global uncertainty. Most notably, the committee discussed May’s weak jobs report, disinflationary pressures, and the potential impact of Brexit.

Investment-grade corporate issuance for the holiday-shortened week came in as expected, with about $14 billion pricing.

Limited supply led to minimal spread movement as investment-grade spreads leaked just 1bp wider to 155bps.

Mortgage prepayment speeds accelerated as rates tumbled to all-time lows, encouraging borrowers to refinance, and fixed-rate mortgage-backed securities (MBS) underperformed Treasuries.

The Mortgage Bankers Association (MBA) Refinance Index revealed a 21% increase in applications week-over-week.

Illinois governor, Bruce Rauner, and the Democratic legislature reached a stopgap budget, which ensures funding of the state’s schools and essential services through the end of the year.

The agreement is only a temporary 6-month solution, and a more structurally balanced bill that addresses the pension issues will likely be negotiated later this year.


*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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