The Treasury curve flattened month-to-date, with the 2-year rising 8bps to 0.67% and the 30-year falling 11bps to 2.17%¹

- Non-farm payrolls added a more-than-anticipated 287,000 jobs in June, suggesting that May’s weak data was an anomaly and not indicative of a slowdown in the US¹
  - Despite some positive domestic economic reports, the Federal Reserve (Fed) will likely maintain its cautious approach to tightening monetary policy given the uncertainty around Brexit and other global headlines
  - The market is now pricing in a slight chance for a rate hike by the end of the year
- The corporate bond market was quieter than expected on the new issue front with only about $15 billion pricing²
  - Low primary volumes and strong demand for investment-grade credit drove a positive technical environment
- Investment-grade corporate spreads rallied, led by the industrial sector, which held up well in spite of continued weakness in oil prices
  - Corporate spreads reached 145bps – 11bps tighter on the month and 14bps tighter since the post-Brexit wides³
- Light issuance and yield-driven buying supported the commercial mortgage-backed security (CMBS) market and led to spread tightening⁴
- The municipal bond market struggled to keep pace with Treasuries month-to-date as markets stabilized and demand for the safe-haven asset class moderated⁴


*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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