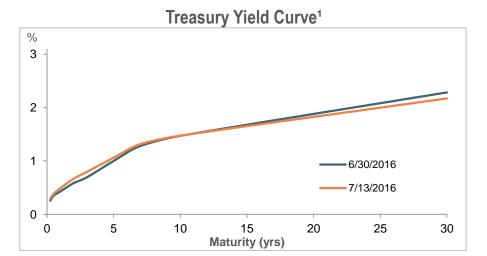


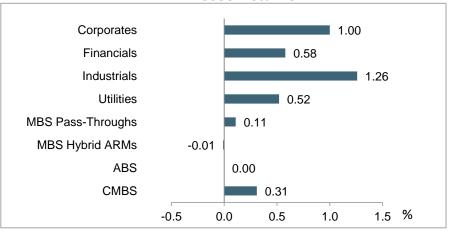
IR+M CLIENT UPDATE July 8 – 14, 2016

- 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



Maturity	2-year	5-year	10-year	30-year
7/13/2016	0.67	1.06	1.48	2.17
MTD Change	0.08	0.06	0.00	-0.11

MTD Excess Returns^{3*}



Sources: 1. Bloomberg 2. Citigroup 3. Barclays 4. BofA Merrill Lynch

The views contained in this report are those of IR+M and are based on information obtained by IR+M from sources that are believed to be reliable. This report is for informational purposes only and is not intended to provide specific advice, recommendations, or projected returns for any particular IR+M product. No part of this material may be reproduced in any form, or referred to in any other publication, without express written permission from Income Research & Management.

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