Treasuries sold-off to start the month, predominantly in the intermediate- and long-end of the curve¹

- The 10-year Treasury rate rose 9bps to 1.54%, and the 30-year Treasury rate rose 11bps to 2.30%
- US economic data generally came in as expected – initial jobless claims were 269,000, suggesting a healthy and improving labor market¹
  - Consensus for Friday’s employment report is 180,000 jobs added in July, which is roughly in-line with the monthly average this year
- Corporate primary issuance surged with over $40 billion pricing this week, which was more than half of the estimated supply for the entire month²
  - Microsoft issued $20 billion to fund their acquisition of LinkedIn – the deal was well-telegraphed and received healthy interest
- Heavy supply, light secondary trading volumes, and equity market weakness drove investment-grade corporate spreads modestly wider month-to-date³
  - Negative sentiment resurfaced as oil prices fell and concerns about oversupply heightened
- Amid the sell-off in rates, the securitized market fared better than the credit market, as low global yields drove demand for the high-quality asset class
- In the municipal market, heavy supply was met with strong demand as inflows remained positive and muted secondary activity shifted the focus to new issuance³


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