IR+M

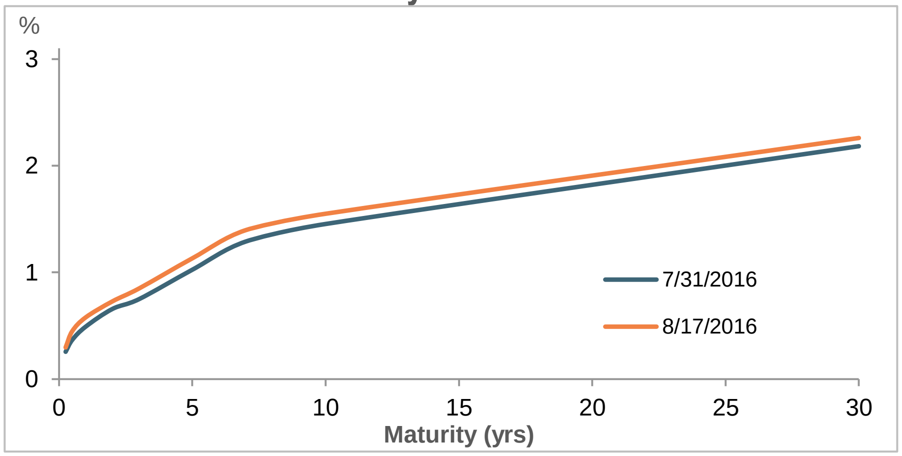
INCOME RESEARCH + MANAGEMENT

IR+M CLIENT UPDATE

August 12 – 18, 2016

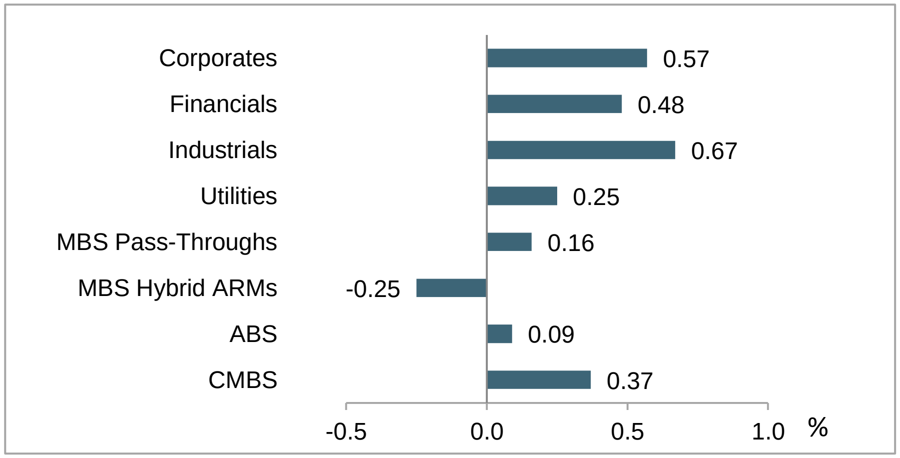
- Treasury yields traded in a tight range this week, and closed marginally higher across the curve[1]
  - Month-to-date, the 10-year rate rose 10bps to 1.55%, and the 30-year rate rose 8bps to 2.26%
- On Wednesday, the Federal Reserve (Fed) released minutes from the July policy meeting, which were slightly more dovish than expected
  - Fed members highlighted the healthy and improving US labor market, but reiterated concerns about weak inflation
- Investment-grade corporate supply slowed this week, but remains on a record pace for August, which is historically a quiet month
  - Month-to-date primary issuance exceeded $80 billion, which is almost double the amount of supply that priced in August last year[2]
- Investment grade corporate spreads tightened modestly across all sectors as trading activity slowed and volatility remained muted[3]
  - Oil prices rebounded and reached their highest level in five weeks, driving energy spreads 6bps tighter
- In the commercial mortgage-backed security (CMBS) market, depressed issuance and a robust appetite for the high-quality sector drove positive excess returns
  - Year-to-date supply is down 21% relative to this time in 2015
- Municipal bond performance was range-bound on the week amidst the bounce around in Treasury rates[3]
  - Muted new supply met healthy demand as positive inflows persisted, supporting the strong market technical

Treasury Yield Curve[1]



Maturity	2-year	5-year	10-year	30-year
8/17/2016	0.73	1.13	1.55	2.26
MTD Change	0.07	0.11	0.10	0.08

MTD Excess Returns[3*]



Sources: 1. Bloomberg 2. JP Morgan 3. Barclays

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