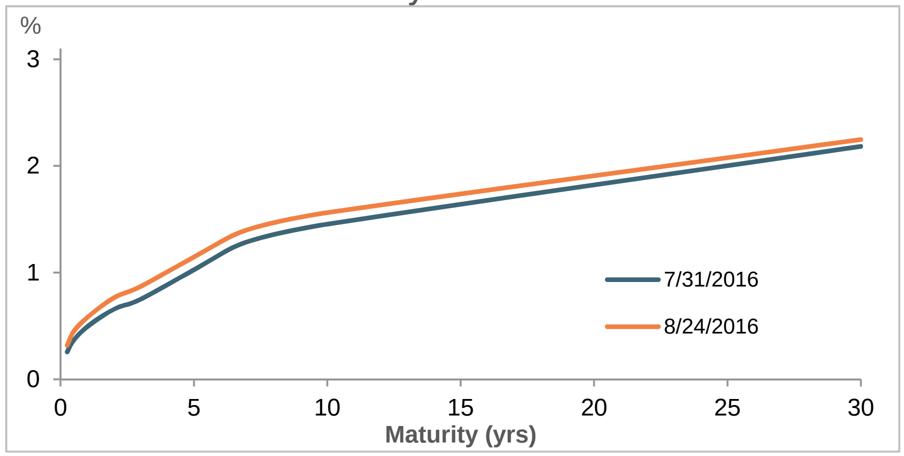
INCOME RESEARCH + MANAGEMENT

IR+M CLIENT UPDATE

August 19 – 25, 2016

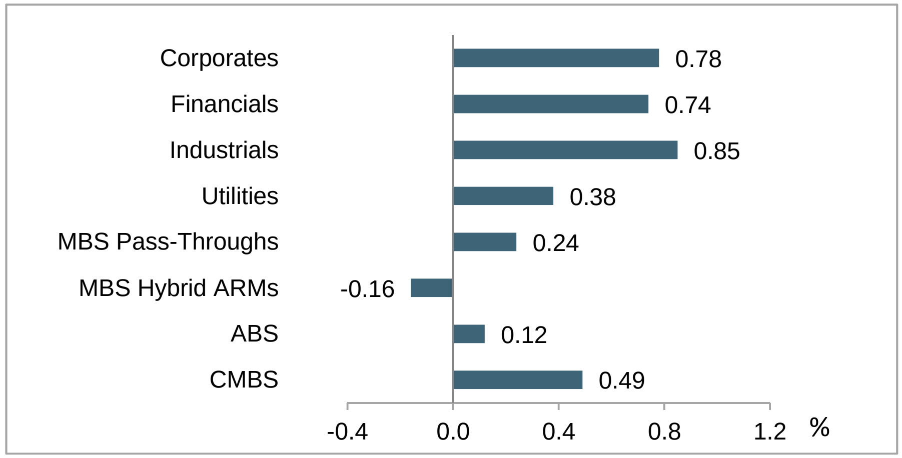
- Treasury rates were relatively flat on the week, but rose month-to-date, most notably in the short and intermediate parts of the curve[1]
    - The yield on the 2-year rose 11bps to 0.76%, and the yield on the 10-year rose 11bps to 1.56%
- On Friday, Janet Yellen will speak at the annual Jackson Hole Symposium, the biggest monetary policy conference of the year
    - Previous Federal Reserve (Fed) chairpersons have communicated policy moves at the conference; however, many investors expect Yellen to avoid giving any signals
- The slowdown in new supply continued in the investment-grade corporate market with about $5 billion pricing[2]
    - Supply reached over $90 billion over the month, marking the heaviest August in over 10 years
- Limited primary issuance supported the corporate market as spreads tightened modestly week-over-week, reaching a year-to-date low of 136bps[3]
    - Financials were the best performer, particularly the REIT and banking sectors, which tightened about 4bps
- Historically low rates, increased household formation, and a firming labor market supported the mortgage market, which outpaced Treasuries on the week
- Activity in the municipal market remained muted, and the 10-year municipal/Treasury ratio hovered around 91%[1]
    - August was a busy month for new issuance with nearly $40 billion pricing, and September is expected to be even heavier, with estimates around $43 billion[3]

Treasury Yield Curve[1]



Maturity	2-year	5-year	10-year	30-year
8/24/2016	0.76	1.15	1.56	2.25
MTD Change	0.11	0.12	0.11	0.06

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.