• The Treasury curve steepened month-to-date, with a more pronounced fall in short rates
  - The 5-year Treasury rate dropped 0.08% to 1.12%¹
• Last Friday’s jobs report revealed the US economy added 151,000 jobs in August, and the unemployment rate held steady at 4.9%¹
  - After a worrisome print of 11,000 in May, August marked the third consecutive month of solid payroll data, which suggests positive momentum in the labor market
• Given strong US data, a rate hike from the Federal Reserve remains on the table before year-end, with an over 50% market-implied probability of a hike at the December meeting¹
• Corporate supply surged in the first week of September as we exited the quieter summer months, with over $20 billion pricing month-to-date²
• Investment-grade corporate spreads weakened modestly amid the rush of issuance, with overall levels widening 2bps to 137bps³
• In the mortgage market, prepayments ticked up as many borrowers used the post-Brexit rate rally as an opportunity to refinance
  - The 30-year fixed-rate mortgage averaged 3.40% in August, down from a high of 3.90% at the beginning of 2016¹
• Year-to-date securitized issuance has totaled $232 billion, trending 28% below last year’s pace – the market has benefitted from slower issuance but expectations call for greater supply this month¹
• Municipals cheapened versus US Treasuries to start the month, with the 10-year municipal/Treasury ratio increasing 4% to 95%¹

*Excess 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.