As most investors expected, the Federal Open Market Committee (FOMC) left the federal funds rate unchanged at 0.25-0.50%¹

- Three of the ten officials voted in favor of a rate hike, while others recommended waiting until next year, highlighting increased opposition among committee members

- Chairperson Janet Yellen acknowledged encouraging US economic data, but indicated that continued improvement is needed before raising the policy rate

- Short and long-end Treasury yields fell slightly on the week, and month-to-date, the 2-year rate is 3bps lower at 0.78%, and the 30-year rate is 14bps higher at 2.37%¹

- Investment-grade corporate primary issuance slowed, ahead of the FOMC announcement, then picked back up once the market digested the news²

  - Supply totaled over $115 million on the month, and is about 9% ahead of last year’s pace

- Corporate spreads recovered modestly, following the weakness seen earlier this month, on the heels of a busy supply calendar³

  - Spreads tightened 2bps and closed at 138bps

- Commercial mortgage backed securities (CMBS) underperformed Treasuries, as heavy issuance and rate hike uncertainty weighed on the sector¹

- Municipal market activity slowed, as investors focused on the central bank policy news¹

  - Fund flows were positive, but less robust relative to prior weeks, which weakened market technicals


²Excess returns are the curve-adjusted excess return of a given index relative to a term structure-matched position in Treasuries.

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