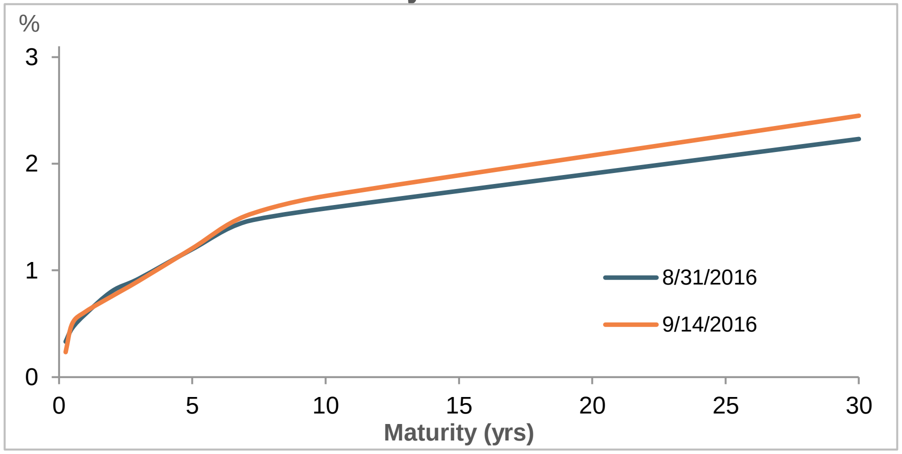
IR+M
INCOME RESEARCH + MANAGEMENT

IR+M CLIENT UPDATE
September 9 – 15, 2016

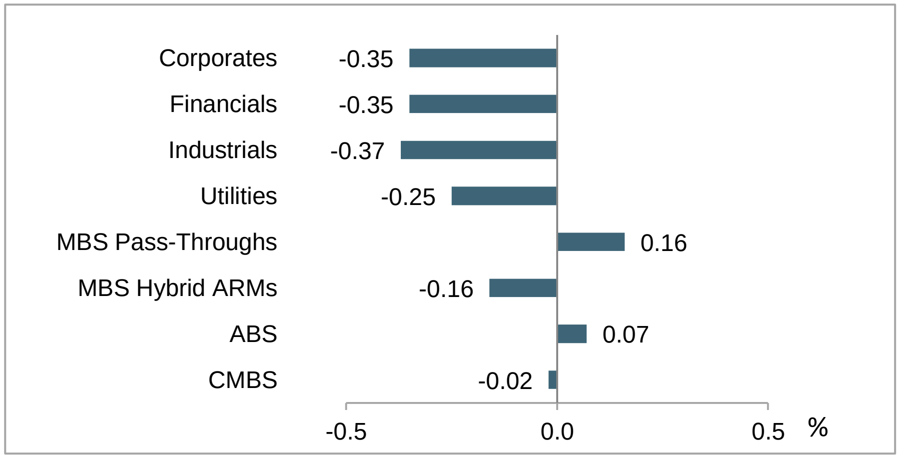
- A selloff in long-end rates this week drove a steepening of the Treasury curve
    - Month-to-date, the 10-year yield rose 12bps to 1.70%, and the 30-year yield rose 22bps to 2.45%[1]
- Federal Reserve (Fed) Governor Lael Brainard delivered a speech to The Chicago Council on Global Affairs, highlighting continued concerns about weak global growth[1]
    - Following her remarks, the September rate hike probability dropped 6% to 15% – the market is currently pricing a 50% chance of a hike at year-end
- Corporate supply flooded the market again this week with over $30 billion pricing[2]
    - Issuers raised more than $80 billion so far this month, and issuance will likely exceed last September's total of $97 billion
- Heavy corporate supply coupled with elevated secondary market activity weighed on investment-grade corporate spreads, which widened 5bps to 141bps[3]
- Commercial mortgage-backed securities faltered this week, alongside other risk assets[1]
    - A heavy September issuance calendar, paired with rate hike uncertainty pushed spreads wider
- The municipal market also faced a busy week of supply with around $13 billion on the calendar[1]
    - Positive inflows supported the market amidst the robust issuance; however, continued primary activity could put negative pressure on the technical environment

Treasury Yield Curve[1]



Maturity	2-year	5-year	10-year	30-year
9/14/2016	0.76	1.21	1.70	2.45
MTD Change	-0.05	0.01	0.12	0.22

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.