• Treasury rates sold-off this week as minutes from the Federal Reserve’s (Fed) September meeting revealed that officials voting against the hike considered the decision a close call:
  - The 2-year yield rose 10bps to 0.86%, and the 30-year yield rose 18bps to 2.50%
• Nonfarm payrolls came in weaker than expected with 156,000 jobs added last month:
  - Despite the soft data, the market-implied probability of a rate hike at the Fed’s December meeting remained stable week-over-week at about 66%
• Investment-grade corporate supply totaled just $15 billion, in-line with expectations for the shortened week:
  - Year-to-date supply passed the $1 trillion mark, outpacing last year by 9%
• Strong overseas buying supported corporate market technicals and drove spreads marginally tighter on the week:
  - Corporate sectors have generated strong month-to-date excess returns, led by industrials, which have outperformed Treasuries by 67bps
• The Fannie Mae agency mortgage-backed securities (MBS) universe prepaid 6% slower month-over-month, as higher mortgage rates and a lower day count reduced refinancing activity:
• Heavy issuance paired with the sell-off in Treasury rates continued to weigh on the municipal market:
  - The 10-year municipal/Treasury ratio rose 3% to 96%

Sources: 1. Bloomberg Barclays  2. Citigroup
*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.