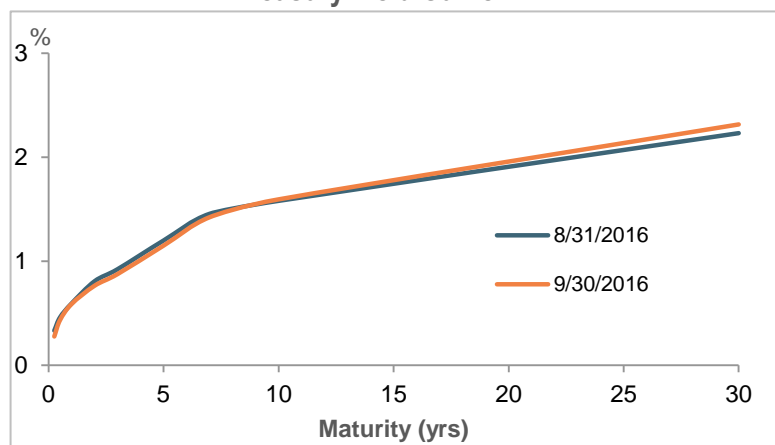


## MARKET NEWS

- The Treasury curve steepened gradually over the month, with the 2-year falling 4bps to 0.76% and the 30-year rising 8bps to 2.32%<sup>1</sup>
- US economic reports signaled improving housing market conditions, strengthening labor market trends, and rising consumer confidence
  - Despite the encouraging data, the outcome and ramifications of the looming November elections remain unknown and will likely drive market volatility through the end of the year
- The Federal Reserve (Fed) left rates unchanged at the September meeting; however, most Fed officials acknowledged positive economic reports and anticipated one hike by year-end<sup>1</sup>
  - A hike at the December meeting would be the first since December 2015
- Investment-grade corporate supply totaled over \$130 billion in September, \$40 billion more than expected<sup>2</sup>
  - Year-to-date issuance is 8% ahead of last year's pace, and an average October supply calendar would push the market over the \$1 trillion mark
- The surge in supply was met with strong demand, supporting market technicals – many deals were oversubscribed and priced with minimal or negative new issue concessions<sup>2</sup>
  - Range bound corporate spreads ended the month 2bps wider at 138bps<sup>3</sup>
- Commercial mortgage-backed securities (CMBS) spreads weakened, most notably in lower-quality issues, with BBB-rated bonds widening 68bps on average<sup>3</sup>
  - Heavy monthly issuance, persistent low yields, and increased market volatility weighed on the sector, resulting in 35bps of underperformance versus Treasuries
- In the municipal market, issuers priced over \$35 billion for a year-to-date total of \$330 billion<sup>1</sup>
  - Robust supply overwhelmed demand for municipal bonds, and the sector lagged Treasuries this month – the 10-year municipal/Treasury ratio rose 5% to 95%

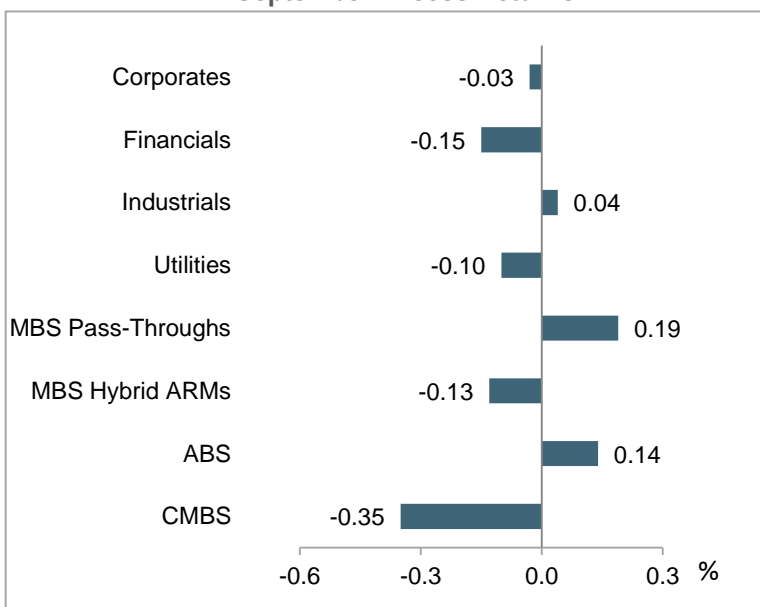
## MARKET STATISTICS

Treasury Yield Curve<sup>1</sup>



Maturity	2-year	5-year	10-year	30-year
9/30/2016	0.76	1.15	1.60	2.32
MTD Change	-0.04	-0.05	0.01	0.08

September Excess Returns<sup>3\*</sup>



As Of: 9/30/16. Sources: 1. Bloomberg 2. Citigroup 3. Barclays

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

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