As anticipated, the Federal Reserve (Fed) left rates unchanged following yesterday’s meeting¹

- The committee acknowledged solid progress towards maximum unemployment and price stability, but indicated that continued improvement was needed before raising rates
- The generally optimistic press release increased the market’s implied probability of a December rate hike to 78%

Treasury yields fell marginally to start the month, amid uncertainty around next week’s presidential election¹

- The 2-year rate fell 2bps to 0.82%, and the 5-year rate fell 4bps to 1.26%

A buildup in crude supply drove oil prices down, which weighed on the corporate market¹

- Corporate spreads widened 5bps to 135bps, led by the industrial sector, which leaked 7bps wider month-to-date

Investment-grade corporate supply slowed this week with roughly $10 billion pricing, as a weak market pushed issuers to the sidelines²

- The expectation for November issuance is around $80 billion, which is slightly below October’s total of $85 billion

The Fed announced it will continue to reinvest principal payments from its agency mortgage-backed securities holdings, which should create a positive technical³

- In the municipal market, pre-election jitters coupled with the recent new issue surge drove weakness in the sector¹
- Municipals cheapened versus Treasuries, with the 10-year municipal/Treasury ratio increasing to 97%

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.

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