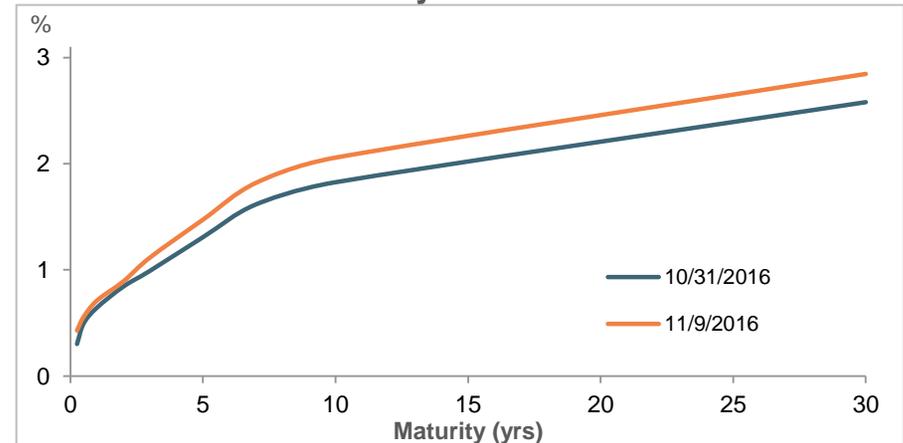




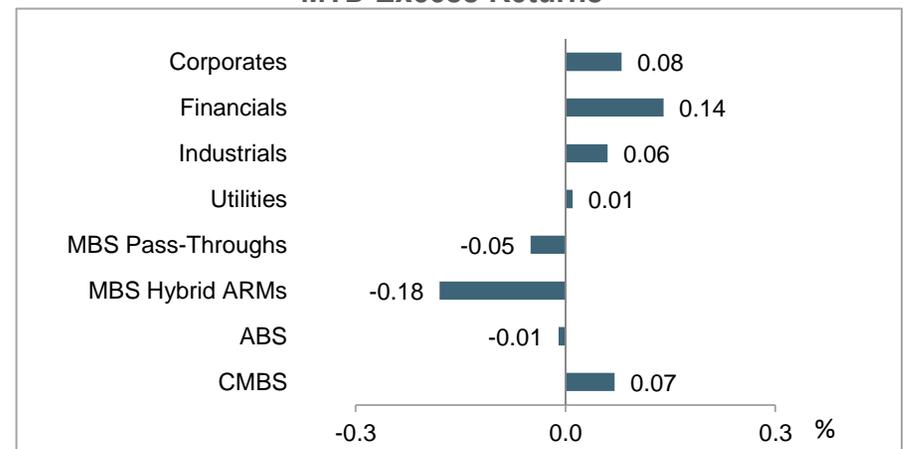
- Market reactions to Donald Trump’s victory over Hillary Clinton surprised investors, as US equities rallied and Treasury rates sold off¹
 - In one day, the 10- year Treasury yield rose 20bps to 2.06% - a level not seen since January 2016
 - Markets are currently pricing in an 82% probability of a rate hike at the Federal Reserve’s (Fed) December meeting, which is a 20% increase since the end of October
- Political news dominated headlines, but solid US data releases further supported a strengthening economy¹
 - Jobless claims fell more than expected to 254,000, suggesting continued labor market improvement
- Investment-grade corporate supply slowed ahead of the election and remained relatively quiet through the holiday-shortened week²
 - Despite consecutive weeks of minimal issuance, year-to-date supply is roughly \$1.1 trillion, which is 3% ahead of last year’s pace
- Higher yields drove increased demand, particularly in long-dated corporates – spreads tightened 3bps to 132bps¹
 - Corporates benefitted from the risk-on trade and significantly outperformed Treasuries in the latter half of the week
- Mortgage-backed securities weakened amid the backup in rates and the heightened market volatility¹
 - Agency hybrid adjustable-rate mortgages (ARMs) underperformed Treasuries by 15bps day-over-day
- Municipal market performance suffered alongside other high-quality bonds following the sharp jump in rates¹
 - Potential tax cuts introduced by President-elect Donald Trump could reduce the attractiveness of municipal bonds, and drive municipal/Treasury ratios higher

Treasury Yield Curve¹



Maturity	2-year	5-year	10-year	30-year
11/9/2016	0.89	1.47	2.06	2.85
MTD Change	0.05	0.17	0.23	0.27

MTD Excess Returns^{1*}



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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