The post-election bond rout continued, with Treasury rates surging, most notably in the intermediate part of the curve¹.

- Since the election, the 5-year Treasury yield rose 20bps to 1.67%, and the 10-year Treasury yield rose 17bps to 2.22%.

On Thursday, Janet Yellen testified before Congress, and once again, acknowledged improving economic conditions¹.

- Yellen set the stage for a rate hike at the Federal Reserve’s (Fed) December meeting, indicating that it could be “appropriate relatively soon” – the market-implied probability currently stands at 96%.

Investment-grade corporate supply picked up ahead of Thanksgiving week, with issuers pricing roughly $40 billion².

- New issue concessions moved modestly higher, but demand remained strong given higher all-in yields, and deals generally performed well.

Strong equity performance and higher Treasury yields supported the corporate market and drove spreads to the year-to-date tights¹.

- Spreads have rallied 86bps since the wides seen in February, when commodity weakness weighed on the sector.

Mortgage-backed securities underperformed Treasuries amid the rate volatility and political uncertainty¹.

- Demand for both purchase and refinancing loans plummeted following the spike in mortgage rates.

In the municipal market, uncertainty around future tax policies drove weakness and heavy outflows¹.

- The 10-year municipal/Treasury ratio rose 9% week-over-week to 99%.

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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