• Treasury rate volatility fell, and the curve flattened modestly at the beginning of December¹
  • On average, ultra-short maturities rose 1bp, while longer-dated maturities fell 1bp
• Last Friday’s labor report revealed the US economy added 178,000 jobs in November, and the unemployment rate fell to 4.6%¹
  • The data supports investors’ expectations that the Federal Reserve (Fed) will raise rates at next week’s meeting
  • The market-implied probability remains at 100% – a level we’ve seen for over 2 weeks
• Year-to-date investment-grade corporate supply totaled $1.17 trillion, breaking the annual record set in 2015²
  • Issuers priced roughly $27 billion so far in December, and another $5-10 billion is expected before the market quiets heading into the holidays
• Corporates outperformed Treasuries with spreads tightening 2bps to a year-to-date tight of 127bps¹
  • The Organization of the Petroleum Exporting Countries (OPEC) reached a deal to cut production, which sent oil prices marginally higher and benefitted the industrial sector
• Commercial mortgage-backed securities underperformed Treasuries by 18bps through the early part of December¹
  • Increased issuance ahead of new risk retention regulation could continue to weigh on the market
• Municipal bonds rallied relative to Treasuries following the modest stabilization in rates¹
  • The 10-year municipal/Treasury ratio fell 5% to 100%

Sources: 1. Bloomberg Barclays  2. Citigroup

¹Excess returns are the curve-adjusted excess return of a given index relative to a term structure-matched position in Treasuries.

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