• The Federal Reserve (Fed) voted unanimously to hike rates by a quarter point, setting the new federal funds rate target to 0.50-0.75%¹
  • The Committee also increased its projection for the pace of hikes in 2017 (from two to three) and cited strengthening labor market conditions and firming inflation
• Markets anticipated the policy change; however, Treasuries still reacted to the news and sold off across the curve¹
  • Month-to-date, the 2-year and 30-year Treasury yields rose 15bps to 1.27% and 3.18%, respectively
• Investment-grade corporate supply slowed considerably this week, with only $4 billion pricing relative to last week’s $15 billion²
  • Dealers are shoring up their books in preparation for the new year, and the supply pipeline is minimal through year-end
• Light supply and strong equity performance drove corporate spreads 3bps tighter to 124bps – the year-to-date tight²
  • Oil prices remained marginally above $50 a barrel, supporting the industrial sector, which generated 63bps of excess returns versus Treasuries
• The Fannie Mae agency mortgage-backed securities (MBS) universe prepaid 5% slower month-over-month, as slightly higher mortgage rates and a flat day count reduced refinancing activity³
  • The Treasury selloff is expected to impact December’s report and result in lower prepayment speeds
• Muted issuance and healthy demand drove strong technicals in the municipal market¹
  • The 10-year municipal/Treasury ratio stabilized around 95%, after reaching 108% earlier this month

³ 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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