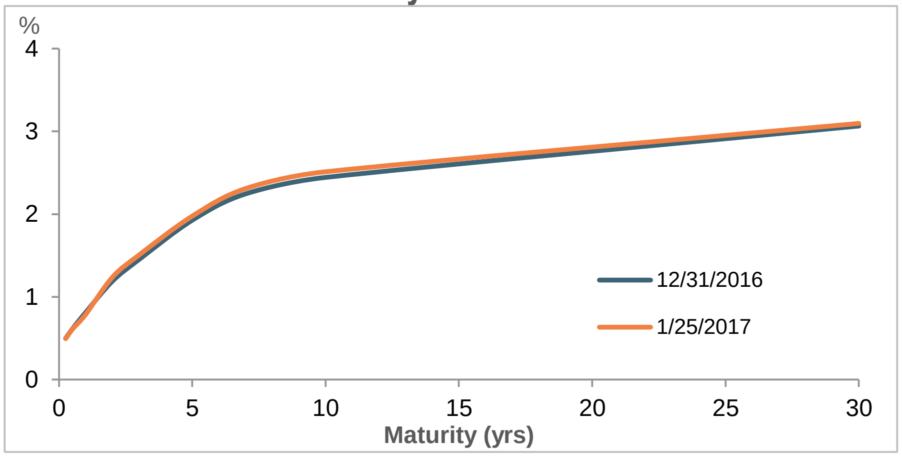
IR+M INCOME RESEARCH + MANAGEMENT

IR+M CLIENT UPDATE
January 20 – 26, 2017

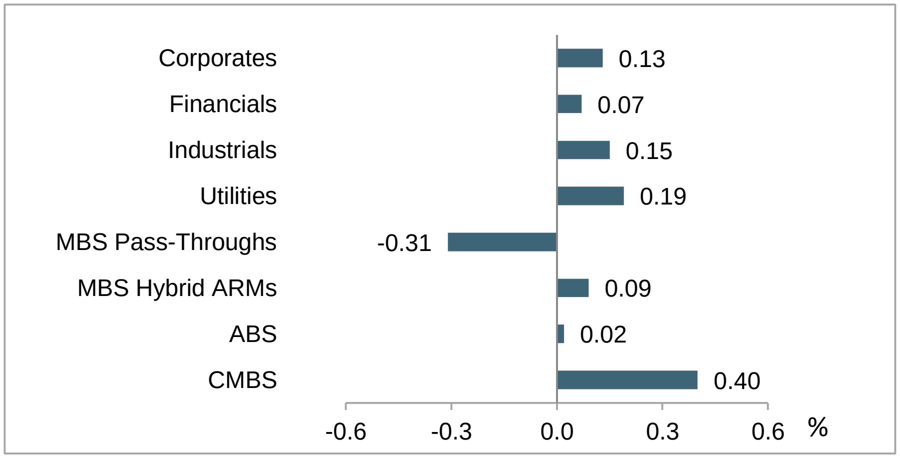
- The Dow Jones Industrial Average broke 20,000, driving a risk-on trade and selloff in Treasury rates[1]
  - The 10-year Treasury yield increased 8bps to 2.51%, and the 30-year Treasury yield increased 8bps to 3.10%
- Initial jobless claims jumped to 259,000, which was slightly above expectations[1]
  - Despite the higher number, claims continue to trend well below healthy levels, indicating an improving labor market
- Companies took advantage of the strong market tone and minimal new issue concessions, pricing roughly $22 billion in the investment-grade corporate market[2]
  - Month-to-date supply totaled over $135 billion – 30% ahead of last year's pace
- The backup in Treasury yields drove increased demand for corporate bonds, which benefitted the sector[1]
  - Corporate spreads rallied 2bps to 120bps – the tightest level since November 2014
- Despite slow new issue activity, commercial mortgage-backed securities (CMBS) weakened modestly amid the Treasury selloff and heightened uncertainty around retail sector fundamentals[3]
- Treasury volatility coupled with resurfacing concerns around the Trump administration's tax policies weighed on the municipal market[1]
  - The 10-year municipal/Treasury ratio rose 3% to 93%

Treasury Yield Curve[1]



Maturity	2-year	5-year	10-year	30-year
1/25/2017	1.24	1.98	2.51	3.10
MTD Change	0.05	0.05	0.07	0.03

MTD Excess Returns[1*]



Sources: 1. Bloomberg Barclays 2. Citigroup 3. BofA Merrill Lynch

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

100 Federal Street, 30th Floor Boston, MA 02110 (617) 330-9333 www.incomeresearch.com