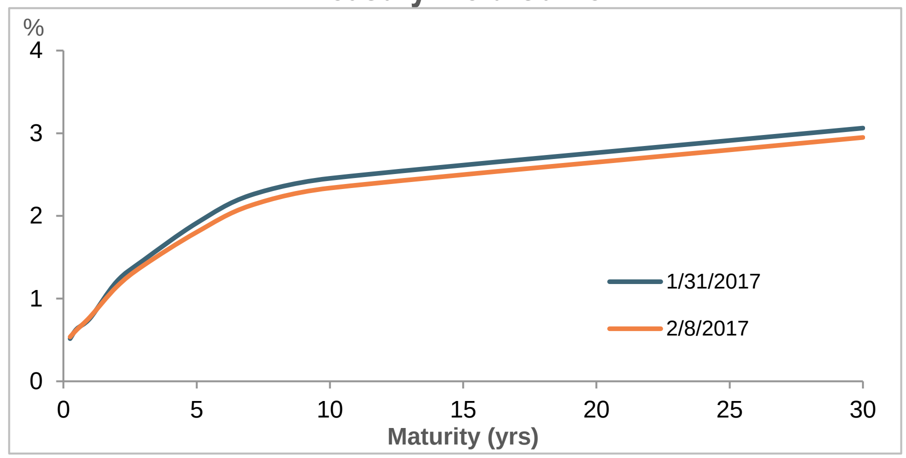
IR+M
INCOME RESEARCH + MANAGEMENT

IR+M CLIENT UPDATE
February 1 – 9, 2017

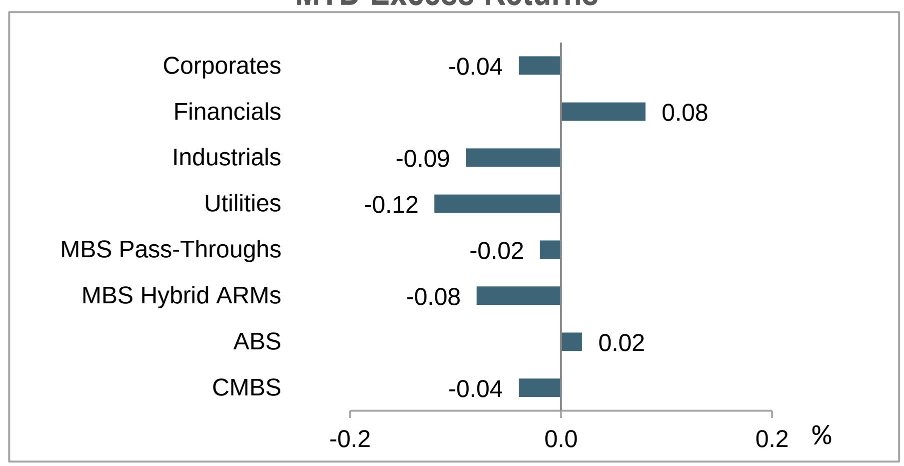
- The Federal Reserve (Fed) left the federal funds rate unchanged at 0.50-0.75% following the Committee's first meeting of 2017[1]
    - The Fed acknowledged improving business and consumer sentiment, and below-target but increasing inflation, which reinforced an optimistic but cautious tone
- January's employment report beat estimates by a healthy margin with 227,000 jobs added – the largest increase in four months[1]
    - Despite beating estimates, wage growth weakened, tempering the overall strength of the report
- Increased uncertainty around the Trump administration's policies as well as the Fed's rate hike path drove a rally in Treasury rates across the curve[1]
    - The 2-year yield fell 7bps to 1.14%, and the 30-year yield fell 11bps to 2.95%
- Investment-grade corporate issuance slowed in the first weeks of February, with around $20 billion pricing compared to $87 billion at this time last month[2]
- Lighter supply benefitted corporate spreads, which traded flat and closed 1bp wider at 122bps[1]
- The agency mortgage-backed securities (MBS) universe prepaid 31% slower month-over-month, following a sharp rise in mortgage rates, which reduced refinancing activity[3]
- Municipal bonds lagged Treasuries amid continued uncertainty around the implications of Trump's potential tax policies on the tax-exempt market[1]
    - The 10-year municipal/Treasury ratio rose 3% to 97%

Treasury Yield Curve[1]



Maturity	2-year	5-year	10-year	30-year
2/8/2017	1.14	1.80	2.34	2.95
MTD Change	-0.07	-0.11	-0.11	-0.11

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