The Federal Reserve (Fed) left the federal funds rate unchanged at 0.50-0.75% following the Committee's first meeting of 2017¹
   - 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 months¹
   - 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 curve¹
     - 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 month²
   - Lighter supply benefitted corporate spreads, which traded flat and closed 1bp wider at 122bps¹
   - The agency mortgage-backed securities (MBS) universe prepaid 31% slower month-over-month, following a sharp rise in mortgage rates, which reduced refinancing activity³
   - Municipal bonds lagged Treasuries amid continued uncertainty around the implications of Trump’s potential tax policies on the tax-exempt market⁴
     - The 10-year municipal/Treasury ratio rose 3% to 97%


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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