Minutes from the Federal Reserve’s recent meeting indicated that members anticipate a hike “fairly soon” and expect to begin discussing changes to the Committee’s program of reinvesting proceeds from its Treasury and agency mortgage-backed securities (MBS) holdings¹

• The Fed acknowledged strong economic reports and improving market sentiment, but expressed concern regarding potential changes to U.S. fiscal policy

• Increased uncertainty around geopolitical risks and the Trump administration’s policies drove a modest rally in Treasury rates¹

• Month-to-date, the 10-year Treasury yield fell 4bps to 2.41%, and the 30-year Treasury yield fell 3bps to 3.03%

• Investment-grade corporate issuance totaled roughly $11 billion in the holiday-shortened week, for a month-to-date total of $58 billion²

• Supply trended lower, and demand remained strong; most new issues priced with negative or minimal concessions

• Over 80% of the S&P 500 companies have reported fourth quarter earnings, and generally positive results have supported the equity and credit markets¹

• Investment-grade corporate spreads tightened 1bp on the week and closed at 118bps¹

• Securitized sectors underperformed corporates due to their lower correlations with the equity market, which has generated year-to-date returns of around 5%¹

• In the municipal market, healthy demand met muted supply, which benefitted performance¹

**Sources:** 1. Bloomberg Barclays 2. Citigroup

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

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