MARKET NEWS

- The Federal Reserve left rates unchanged at the Committee’s first meeting of 2017, but highlighted significant progress toward the goals of low unemployment and stable prices\(^1\)
  - The market-implied probability for a March rate hike gradually rose from 30% to 50% over the month, then jumped to 80% following yesterday’s relatively hawkish Fed speeches
- Despite encouraging economic reports, heightened geopolitical risk and domestic policy uncertainty drove increased volatility and a flattening of the Treasury curve\(^1\)
  - The 2-year Treasury yield rose 5bps to 1.26%, and the 30-year Treasury yield fell 6bps to 3.00%
- Investment-grade corporate issuers priced $88 billion, which was in line with expectations and significantly lower than January’s onslaught of $170 billion\(^2\)
  - Despite robust year-to-date issuance, heavy subscription levels supported the market and pushed February’s average new issue concessions into negative territory
- Positive corporate market technicals, strong equity performance, and optimistic investor sentiment benefitted corporate spreads, which tightened 6bps to 115bps\(^1\)
  - Corporate spreads rallied 100bps year-over-year, since the peak of the energy sector weakness and are trading at a level the market hasn’t seen since 2014
- Securitized sectors underperformed corporates due to their lower correlation with equities coupled with the increased volatility in Treasury rates\(^4\)
  - Commercial mortgage-backed securities weakened, most notably in lower-quality issues, on the heels of negative retail headlines and increased trading volume
- Municipal supply underwhelmed the market and the sector performed roughly in line with Treasuries\(^1\)
  - Fund flows remained positive, which supported the market and mitigated some of the weakness driven by concerns around potential new tax policies

MARKET STATISTICS

<table>
<thead>
<tr>
<th>Maturity</th>
<th>2-year</th>
<th>5-year</th>
<th>10-year</th>
<th>30-year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2/28/2017</td>
<td>1.26</td>
<td>1.93</td>
<td>2.39</td>
<td>3.00</td>
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</tbody>
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| MTD Change  | 0.05   | 0.02   | -0.06   | -0.06   |


*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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