• Initial jobless claims fell 7% more than expected to 234,000, reflecting strong and improving labor market conditions¹
  • The ADP employment report also beat estimates by a sizable margin for a second consecutive month, potentially setting the stage for a strong non-farm payroll number tomorrow
• Minutes from the Federal Reserve’s (Fed) March meeting surprised investors, as the Committee announced plans to begin shrinking its $4.5 billion balance sheet this year – prior to the release, most anticipated the policy change to occur in 2018¹
  • The Fed provided limited details, but noted that normalization would be “gradual and predictable”, and that the federal funds rate would remain the primary monetary policy tool
• Treasury yields fell marginally across the curve amid continued geopolitical uncertainty¹
• Investment-grade corporate issuers priced around $17 billion, which was in line with expectations²
  • Despite a moderate slowdown relative to the recent weekly average of $30 billion, the pace of supply remains 11% ahead of last year
• Muted market volatility supported corporate spreads, which traded flat, and remained at 118bps, near historically tight levels¹
• Light supply and relatively stable Treasury yields benefitted the commercial mortgage-backed securities (CMBS) market, which generated 0.10% of excess returns month-to-date¹
• In the municipal market, strong technicals continued to support the sector, but renewed focus on tax reform could be a headwind in the coming months¹

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.
The views contained in this report are those of IR+M and are based on information obtained by IR+M from sources that are believed to be reliable. This report is for informational purposes only and is not intended to provide specific advice, recommendations, or projected returns for any particular IR+M product. No part of this material may be reproduced in any form, or referred to in any other publication, without express written permission from Income Research & Management.