First quarter GDP expectations were slightly lowered after the US trade deficit widened month-over-month¹.

The Trump administration announced their plans for broad tax cuts for individuals and corporations¹:

- Market reaction was muted, as limited details were provided, and investors seem skeptical over Congress’ ability to generate bipartisan support.
- The market remains focused on the revised healthcare bill as a barometer for the success of future agenda items.

Treasury yields jumped across the curve, as geopolitical fears eased following the first round of the French presidential election¹:

- Recent polls for the second round indicate the more moderate candidate is leading.
- The 2-year Treasury yield rose 10bps, while the 30-year Treasury rose 9bps on the week.

Implied probabilities of a rate hike in June increased almost 23% week-over-week to 70%, following steady economic data and reduced geopolitical concerns¹.

First quarter earnings continued their strong pace, with most S&P 500 companies beating expectations for earnings and revenues¹.

Investment-grade corporate issuers priced around $15 billion this week, which was in-line with expectations².

Risk-on sentiment supported corporate spreads, which tightened 2bps to 117bps¹.

Mortgage-backed securities (MBS) weakened relative to Treasuries, as heavier than expected supply weighed on the market¹.

Despite tax reform headlines, municipals only weakened modestly, with the 10-year municipal/Treasury ratio rising 2%¹.

Sources:
1. Bloomberg Barclays
2. Citigroup

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.