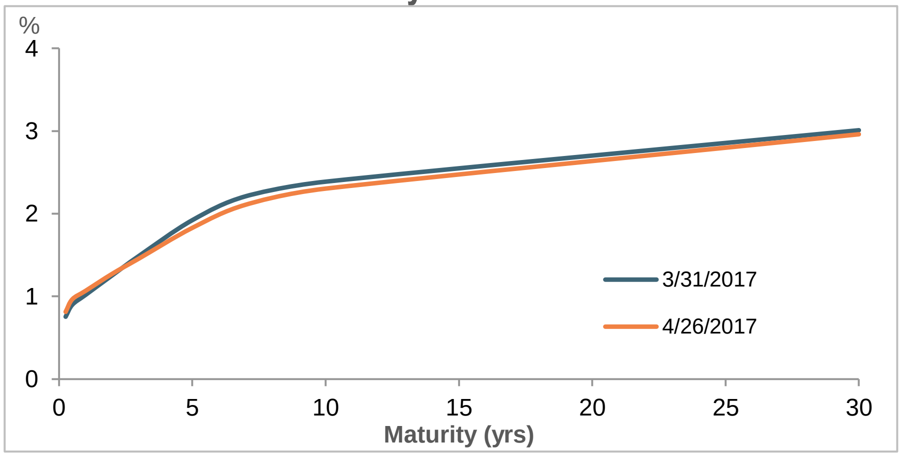
IR+M
INCOME RESEARCH + MANAGEMENT

IR+M CLIENT UPDATE

April 21 – 27, 2017

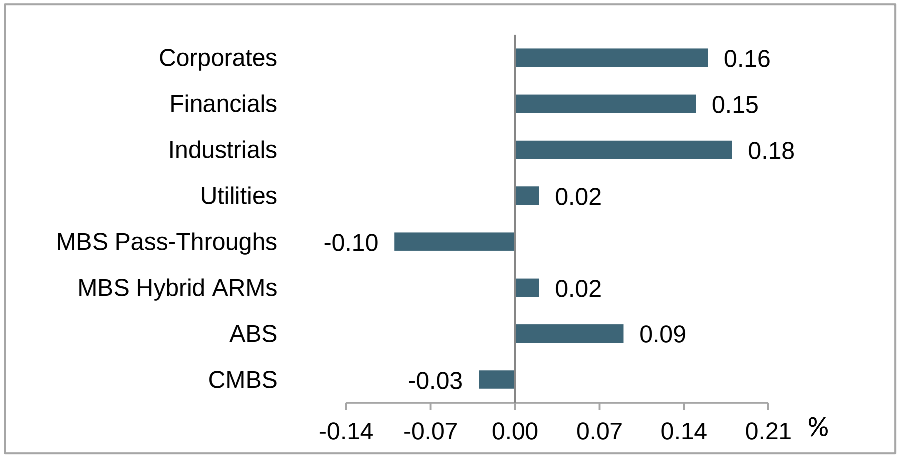
- First quarter GDP expectations were slightly lowered after the US trade deficit widened month-over-month[1]
- The Trump administration announced their plans for broad tax cuts for individuals and corporations[1]
    - Market reaction was muted, as limited details were provided, and investors seem skeptical 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 election[1]
    - 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 concerns[1]
- First quarter earnings continued their strong pace, with most S&P 500 companies beating expectations for earnings and revenues[1]
- Investment-grade corporate issuers priced around $15 billion this week, which was in-line with expectations[2]
- Risk-on sentiment supported corporate spreads, which tightened 2bps to 117bps[1]
- Mortgage-backed securities (MBS) weakened relative to Treasuries, as heavier than expected supply weighed on the market[1]
- Despite tax reform headlines, municipals only weakened modestly, with the 10-year municipal/Treasury ratio rising 2%[1]

Treasury Yield Curve[1]



Maturity	2-year	5-year	10-year	30-year
4/26/2017	1.27	1.83	2.30	2.96
MTD Change	0.01	-0.09	-0.09	-0.05

MTD Excess Returns[1*]



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 Treasuries.