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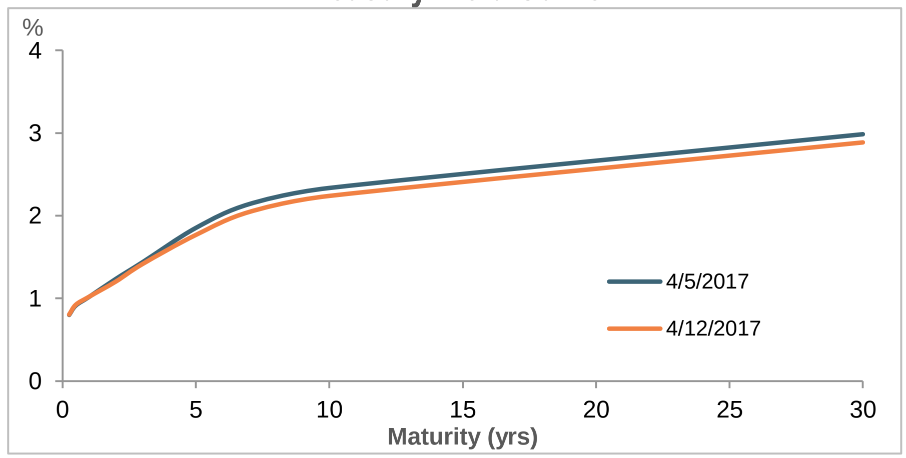
INCOME RESEARCH + MANAGEMENT

IR+M CLIENT UPDATE

April 7 – 13, 2017

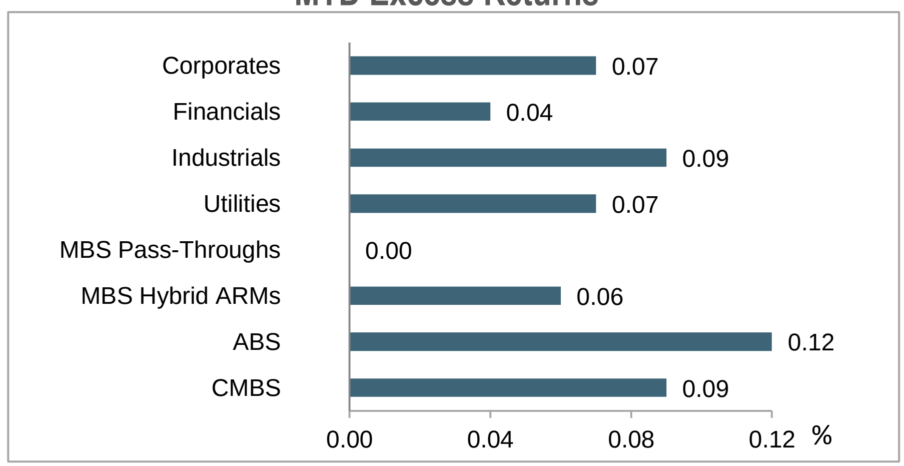
- Initial jobless claims were announced lower than expected at 234,000, continuing a stretch of strong and improving labor market conditions[1]
- Consumer sentiment rose again for the 6th time in the last 7 weeks as low unemployment has driven optimism for continued economic growth[1]
- Federal Reserve (Fed) Chairwoman Janet Yellen spoke Monday and noted the regime of accommodative policy is coming to an end[1]
    - Implied probabilities indicate the Fed is more than 56% likely to hike rates by the scheduled June meeting[1]
- Treasury yields fell across the curve, declining to their lowest point this year[1]
- Investment-grade corporate issuers priced around $7 billion, which was in line with expectations during the holiday-shortened week[2]
    - Year-to-date we have seen $405 billion in supply which stands 10% greater than last year at this time[2]
- Corporate spreads traded flat again this week while their yield advantage has helped to generate excess returns over Treasuries month-to-date[1]
- Mortgage backed security spreads tightened slightly this week after the March prepayment report showed speeds increasing at a slower pace than the market expected[1]
- 5-Year and 10-Year Municipal/Treasury ratios have come down more than 20% after recent highs above 100% this past December[1]

Treasury Yield Curve[1]



Maturity	2-year	5-year	10-year	30-year
4/12/2017	1.20	1.77	2.24	2.89
MTD Change	-0.05	-0.15	-0.15	-0.12

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.

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