

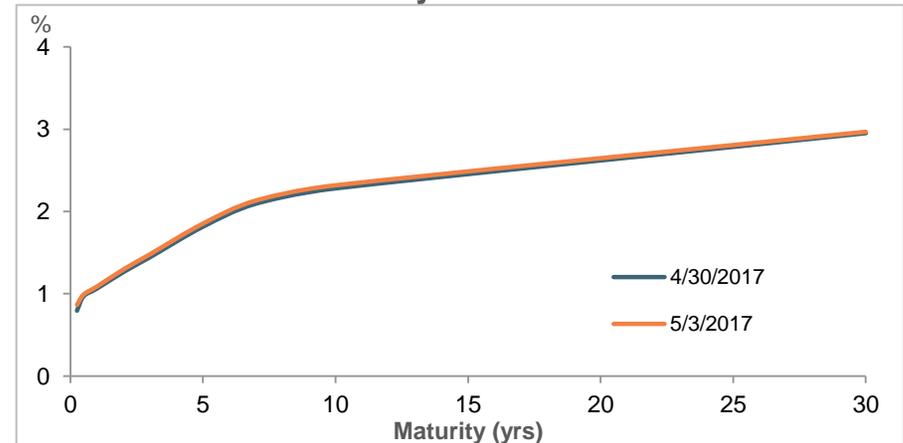


IR+M CLIENT UPDATE

May 1 – May 4, 2017

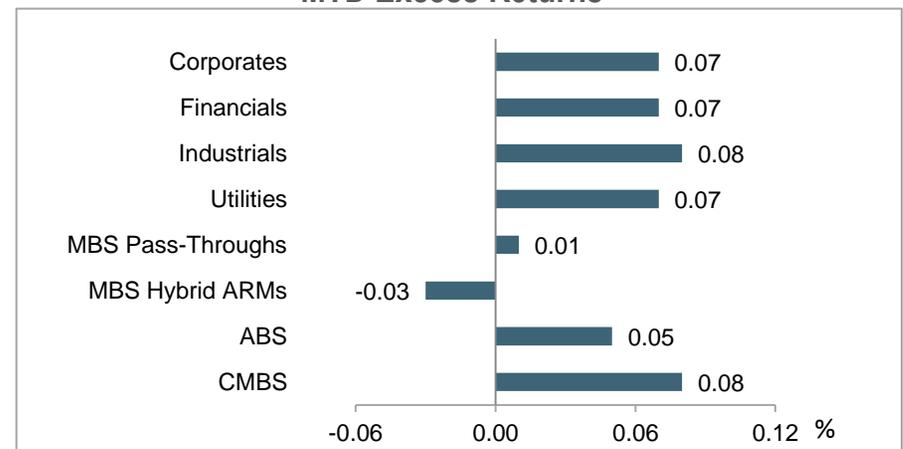
- The ADP employment report indicated positive but slowing job growth, as the labor market approaches full employment¹
- Oil prices hit 6-month lows, as increased US production renewed market fears of a glut in supply¹
- The Federal Reserve (Fed) voted unanimously to leave rates unchanged, as expected¹
 - The statement expressed the Committee’s lack of concern over recent weak GDP data, and an expectation for improvement going forward
 - Implied probability of a rate hike at the Fed’s next meeting in June jumped from 70% to 98%
- Treasury yields modestly rose across the curve, amidst a generally positive market tone¹
 - The 2-year Treasury yield rose 4bps to 1.30%, while the 10-year Treasury rose 4bps on the week to 2.32%
- Investment-grade corporate issuers priced close to \$35 billion this week, an increase of \$20 billion over last week, which was in-line with expectations as most companies have exited earnings blackout periods²
- Strong earnings releases supported corporate spreads, which traded flat at 116bps¹
- Commercial mortgage-backed securities (CMBS) strengthened relative to Treasuries, providing 8bps in excess returns month-to-date¹
- Puerto Rico entered bankruptcy yesterday with \$73 billion outstanding to creditors, making it the largest municipal bankruptcy in US history¹
 - Detroit previously held the record for largest bankruptcy filing at \$18 billion

Treasury Yield Curve¹



Maturity	2-year	5-year	10-year	30-year
5/3/2017	1.30	1.85	2.32	2.97
MTD Change	0.04	0.03	0.04	0.02

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.

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.