Initial jobless claims were announced slightly lower than expected at 236,000, continuing the stretch of strong and improving labor market conditions.

The producer-price index climbed 2.5% to its highest level in five years, a signal that inflation is picking up in the US economy.

Federal Reserve (Fed) speakers addressed issues such as rate hikes, pace of inflation, and the balance sheet without surprising the markets this week.

Implied probabilities now indicate the Fed is 100% likely to hike rates at the June meeting.

Bullish market sentiment continued following the Fed’s meeting last week, pushing Treasury yields higher across the curve.

Investment-grade corporate issuers priced close to $30 billion this week, as heavy post-earnings issuance continued.

Strong earnings and a risk-on market tone supported corporate spreads, which tightened 2bps to 113bps.

Mortgage backed security spreads tightened slightly this week after the March prepayment report showed speeds increasing at a slower pace than the market expected.

Commercial mortgage-backed securities (CMBS) continued to strengthen relative to Treasuries, earning 36bps in excess returns month-to-date.

Municipals marginally outperformed Treasuries as municipal/Treasury ratios dropped 3%.

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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