• Nonfarm payrolls came in below expectations, but the unemployment rate declined to 4.3%, the lowest level in 16 years¹
  • While the jobless rate points to continued labor market strength, wage growth hasn’t been as robust
• As the Federal Open Market Committee (FOMC) June meeting approaches, the implied probability for a rate hike is nearly 100%¹
  • An additional rate hike in December is less certain, with investors placing a roughly 50% probability on another hike
• The yield curve flattened during the week with short-term yields rising and longer maturity yields falling; the 10-year yield briefly dropped to its lowest level since November of last year¹
  • The 2-year Treasury yield rose 3bps to 1.31%, while the 10-year Treasury fell 3bps on the week to 2.17%
• Investors are focusing on a number of events today, including former FBI Director James Comey’s Senate testimony, the United Kingdom general election, and the European Central Bank’s policy meeting¹
• Oil prices dropped sharply as both crude oil and gasoline inventories unexpectedly rose, renewing market fears of a glut in supply¹
  • The inventory build broke an 8-week streak of drawdowns
• Investment-grade corporate issuers priced just over $15 billion this week, which was in line with dealer expectations²
• Corporate spreads have remained range-bound from 111bps to 115bps over the past month and closed at 113bps¹
• Mortgage-backed securities (MBS) continue to underperform other spread sectors and were flat to Treasuries month-to-date¹
• Municipals continue to outperform Treasuries, and the 10-year municipal/Treasury ratio declined another 2% on the week to 84%¹

Sources: 1. Bloomberg Barclays  2. Citigroup

¹Excess returns are the curve-adjusted excess return of a given index relative to a term structure-matched position in Treasuries.
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