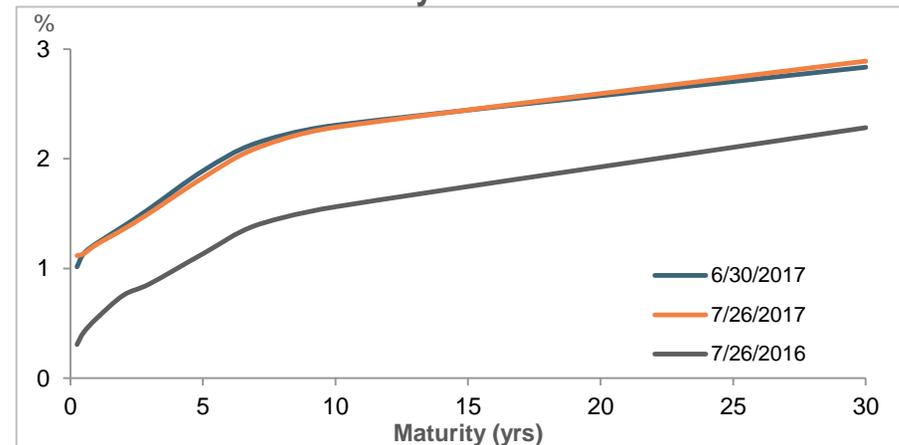




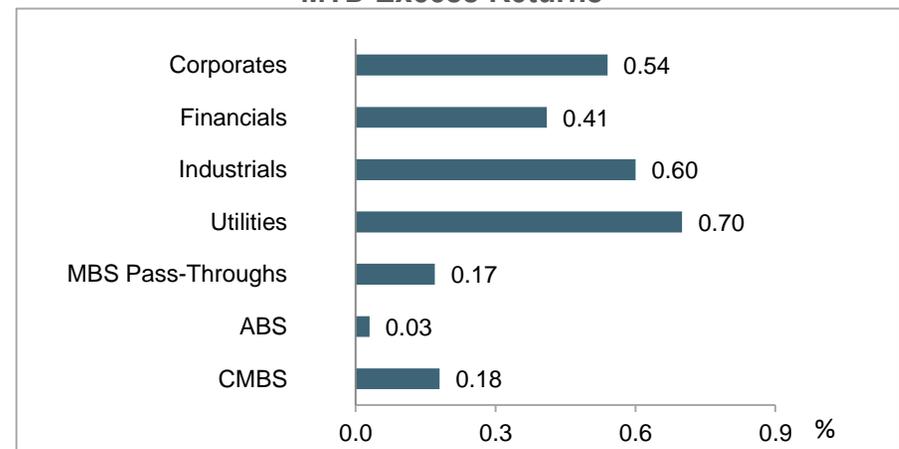
- The Federal Reserve Open Market Committee (FOMC) left interest rates unchanged at the July meeting, as expected¹
 - The FOMC acknowledged inflation softness, which investors perceived as dovish; however, the Committee also noted its expectation to begin the balance sheet reduction process “relatively soon”
- The Treasury curve steepened this week as longer-term yields rose and shorter-term yields held steady¹
 - Concerns regarding the US debt ceiling applied upward pressure on 3-month Treasury bill rates, which would mature in October, when the Treasury is expected to need additional funding in order to continue making timely debt service payments
 - The yield on the 3-month Treasury bill briefly eclipsed that of the 6-month bill for the first time since the financial crisis
- Investment grade corporate issuance moderated this week, with supply around \$25 billion versus last week’s deluge of over \$40 billion²
 - While most big banks tapped the market last week following earnings announcements, a greater proportion of supply came from industrial issuers this week
- Investment grade corporate spreads benefitted from lighter supply and set a new year-to-date tight, closing at 103bps¹
 - High yield corporate spreads have also tightened considerably month-to-date to 350bps and are 26bps from post-crisis tights
- Asset-backed securities (ABS) underperformed other spread sectors during the month as heavy supply weighed on spreads¹
- In the municipal market, positive fund flows drove a favorable technical environment and supported the sector¹
 - Municipals outperformed Treasuries this week, and the 10-year municipal/Treasury ratio remains well below its 10-year average

Treasury Yield Curve¹



Maturity	2-year	5-year	10-year	30-year
7/26/2017	1.36	1.83	2.29	2.89
MTD Change	-0.02	-0.06	-0.02	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.

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