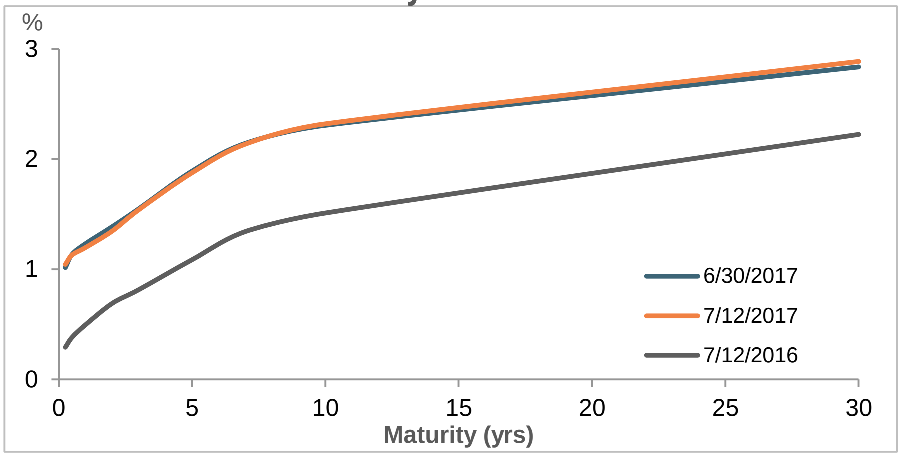
IR+M CLIENT UPDATE

July 7 – July 13, 2017

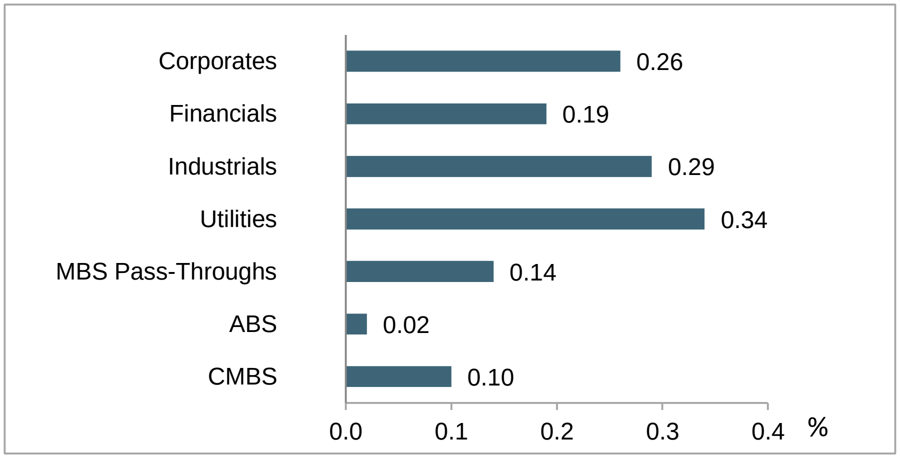
- Federal Reserve chair Janet Yellen addressed Congress in the semiannual Humphrey-Hawkins testimony and acknowledged the potential for soft inflation data to persist[1]
    - Investors interpreted Yellen's comments as dovish, and the implied probability for another interest rate hike this year fell below 50% following the testimony
- Inflation remains weak in an otherwise strong US economy, and there's heightened focus on US CPI for June, which will be released Friday[1]
- Strong prints in nonfarm payrolls and jobless claims continue to point to labor market strength[1]
- The Treasury yield curve steepened this week, with short-term yields falling and long-term yields rising[1]
    - The 2-year yield fell 5bps during the week to 1.35% while the 30-year yield rose 4bps to 2.89%
- Investment grade corporate supply picked up as expected, with issuers pricing roughly $19 billion, over $10 billion more than last week[2]
- Ample supply met healthy demand, and investment grade corporate spreads hit year-to-date tights, closing at 106bps[1]
- Weak US auto sales weighed on the asset-backed securities (ABS) market, which has lagged other spread sectors month-to-date[1]
- Illinois lawmakers passed a budget for the first time in two years, overriding Governor Rauner's veto[1]
    - S&P took Illinois off of CreditWatch negative and affirmed their BBB- credit rating with a stable outlook
    - Illinois remains under review at Moody's and Fitch, which rate the credit Baa3 and BBB, respectively

Treasury Yield Curve[1]



Maturity	2-year	5-year	10-year	30-year
7/12/2017	1.35	1.88	2.32	2.89
MTD Change	-0.03	-0.01	0.01	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.