• Federal Reserve chair Janet Yellen addressed Congress in the semiannual Humphrey-Hawkins testimony and acknowledged the potential for soft inflation data to persist¹
  • 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 Friday¹
• Strong prints in nonfarm payrolls and jobless claims continue to point to labor market strength¹
• The Treasury yield curve steepened this week, with short-term yields falling and long-term yields rising¹
  • 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 week²
• Ample supply met healthy demand, and investment grade corporate spreads hit year-to-date tights, closing at 106bps¹
• Weak US auto sales weighed on the asset-backed securities (ABS) market, which has lagged other spread sectors month-to-date¹
• Illinois lawmakers passed a budget for the first time in two years, overriding Governor Rauner’s veto¹
  • 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

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 Treasurie.
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