MARKET NEWS

- The US Consumer Price Index (CPI) fell 0.1% month-over-month, largely driven by falling prices in core goods, most notably apparel and new and used cars¹
- The unemployment rate continued its downward trend in June and reached 4.3% – the lowest level in over 15 years¹
- As expected, the Federal Open Market Committee (FOMC) hiked rates a quarter point, setting the federal funds rate target at 1.00-1.25%¹
  - Market-implied probabilities indicate a 45% probability of one additional hike in 2017
  - The FOMC also offered details on the strategy for shrinking the balance sheet, and plans to allow a small but increasing amount of securities to mature each month without reinvestment, starting later this year
- The Treasury curve flattened in June, as the FOMC affirmed its stance to move forward with normalizing monetary policy, despite some unconvincing economic data¹
  - The 2-year Treasury yield rose 10bps to 1.38%, and the 30-year Treasury yield fell 2bps to 2.84%
- Investment grade corporate issuers priced around $80 billion over the month, which was in line with expectations⁶
  - Year-to-date supply totaled $675 billion and remains 3% ahead of last year’s pace
- Corporate spreads traded in a narrow range and closed 4bps tighter at 109bps – a level the market hasn’t seen since 2014¹
  - Oil prices fell below $43 a barrel, but most of the weakness was confined to the energy space
- In the mortgage-backed securities (MBS) market, increased focus on the FOMC’s tapering plan to reduce its agency MBS holdings weighed on the sector, which underperformed Treasuries by 0.20% in June¹
- Illinois lawmakers failed to agree on a budget resolution, but extended the legislative session to continue the negotiations¹
  - S&P warned that a downgrade to high-yield could follow if a budget wasn’t passed by the end of June; if S&P takes action, Illinois would be the first ever junk-rated US state

MARKET STATISTICS

<table>
<thead>
<tr>
<th>Maturity</th>
<th>2-year</th>
<th>5-year</th>
<th>10-year</th>
<th>30-year</th>
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<tbody>
<tr>
<td>6/30/2017</td>
<td>1.38</td>
<td>1.89</td>
<td>2.31</td>
<td>2.84</td>
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<td>MTD Change</td>
<td>0.10</td>
<td>0.14</td>
<td>0.11</td>
<td>-0.02</td>
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### Treasury Yield Curve¹


*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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