The Treasury curve flattened this week as moderating inflation expectations pushed long-term yields lower¹

- The 10-year rate fell 5bps to 2.27%, and the 30-year rate fell 4bps to 2.85%
- Notably, the 3-month Treasury yield has risen 9bps during the month to 1.11%, in anticipation of tighter monetary policy

The US Consumer Price Index (CPI) for June came in below expectations, continuing a four month stretch of weak inflation data¹

Oil prices rebounded above $45 per barrel after a positive inventory report showed larger than expected gasoline drawdowns¹

Investment grade corporate supply exceeded estimates as many companies took advantage of a firm market tone following relatively strong second quarter earnings reports⁵

- Led by over $25 billion from US money center banks, issuers priced over $40 billion this week, which surpassed the combined total issuance for the first two weeks of July

Investment grade corporate spreads remained resilient in the face of heavy supply and tightened 1bp this week to close at 104bps, which is 7bps wider than post-crisis tights¹

- Generally positive US bank earnings benefitted corporate spreads and aided the month-to-date equity rally

Relatively stable Treasury yields coupled with heightened demand supported securitized sectors, which have modestly outpaced Treasuries month-to-date¹

Strong technicals helped the municipal market as healthy demand met modest supply, which is well below last year’s pace¹

- The sector outperformed Treasuries this week, and the 10-year municipal/Treasury ratio decreased 2% to 84%

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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