• Treasury yields fell across the curve, most notably in the long end, driven by geopolitical uncertainty and a risk-off market tone¹
  • The 30-year yield dropped 4bps on the week to close at 2.82%
• The US Producer Price Index came in below expectations at -0.1%, setting the stage for tomorrow’s widely anticipated release of the US Consumer Price Index (CPI)¹
  • Economists expect CPI to gain 0.2% for a year-over-year rate of 1.8%, slightly below the Federal Reserve’s 2% target
• Investment grade corporate supply was heavy this week with issuers pricing over $40 billion²
  • British American Tobacco issued over $17 billion to help fund its acquisition of Reynolds American, which was the second largest new issue of the year behind AT&T’s deal last month
• Under pressure from robust supply along with equity market weakness, investment grade corporate spreads reversed course and leaked 6bps wider during the week and closed at 109bps, which is a level that the market has not seen since June¹
  • Communications was the weakest Industrial subsector month-to-date as the market worked to digest last month’s $22.5 billion AT&T issuance
  • High yield corporate spreads also jumped 19bps to 368bps
• The securitized market faced similar healthy supply this week, but strong demand and insulation from equity weakness supported the sector, leading to outperformance relative to corporates¹
• Municipals kept up with Treasuries month-to-date, and muni/Treasury ratios remain at relatively low historical levels with the 10-year ratio hovering around 83%¹

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 Treasuries.
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