• The Federal Reserve (Fed) held rates steady and announced that it would begin its balance sheet reduction plan in October, as expected¹
  • The Fed also indicated that it could raise rates again before year-end, a sign of optimism about the economy
  • Investors reacted by adjusting their expectations, and following the announcement, the implied probability of an additional rate hike this year jumped over 25% to 64%
• Treasury yields rose across the curve, with rate increases most notable in the short and intermediate parts of the curve¹
  • The 2-year and 10-year yields increased 9bps and 8bps, respectively, during the week
• After a couple weeks of heavy supply, investment grade corporate issuance slowed this week with roughly $13 billion pricing²
• Strong demand met light supply, and investment grade corporate spreads tightened 5bps to 106bps, 4bps off year-to-date tights¹
  • High yield corporate spreads tightened 15bps during the week to close at 352bps, 8bps wide to year-to-date tights
• Mortgage-backed securities (MBS) performed well, as Hurricane Irma’s damage was less severe than initially feared, and rising rates prevented a jump in prepayments¹
  • Agency MBS Pass-Throughs outperformed Treasuries by 0.21% month-to-date
• Municipals modestly lagged Treasuries this week, as the 5-year muni/Treasury ratio increased 3% to close at 68%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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