• Core inflation, which excludes volatile food and energy prices, rose to 1.8%, marginally beating expectations¹

• Generally positive economic data reinforced investors’ expectations for the Federal Reserve to raise rates in December, and the market-implied probability averaged 94% over the week¹

• The Treasury curve flattened, and the spread between the 2-year and 30-year yields has narrowed 20bps on the month¹
  • This week, the 2-year yield rose 4bps to 1.69%, and the 30-year yield fell 2bps to 2.77%

• Year-to-date investment-grade corporate supply reached last year’s total, as issuers priced roughly $28 billion this week²

• Equity weakness leaked into the investment-grade corporate market, and spreads widened modestly, closing at 103bps¹
  • Spreads are 9bps off the post-crisis tight level that was reached in late October

• Despite some general risk-off sentiment, commercial mortgage-backed securities (CMBS) benefitted from healthy fundamentals and property price appreciation¹
  • Month-to-date, the CMBS sector generated 18bps of excess return over Treasuries

• Heightened concern around the likelihood of tax reform weighed on the municipal market, which reversed course from last week and sold off relative to Treasuries¹
  • The 10-year municipal/Treasury ratio rose 4% to 87%

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.

The views contained in this report are those of IR+M and are based on information obtained by IR+M from sources that are believed to be reliable. This report is for informational purposes only and is not intended to provide specific advice, recommendations, or projected returns for any particular IR+M product. No part of this material may be reproduced in any form, or referred to in any other publication, without express written permission from Income Research & Management.