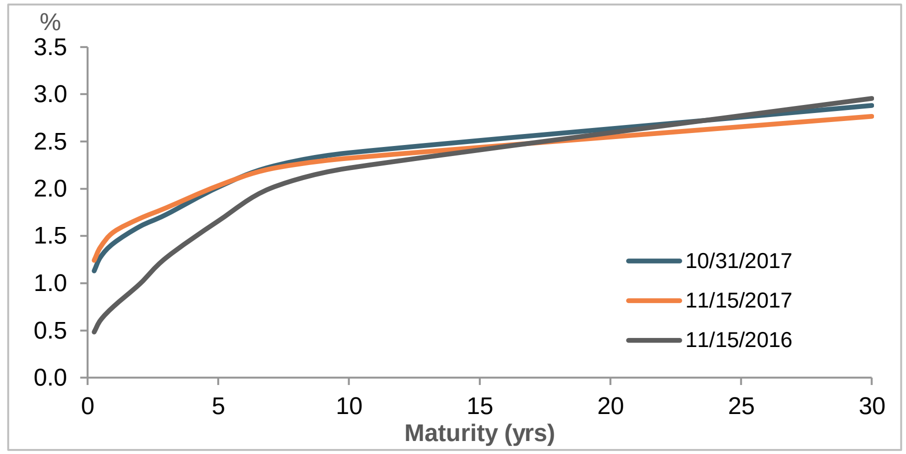
IR+M CLIENT UPDATE
November 10 – November 16, 2017

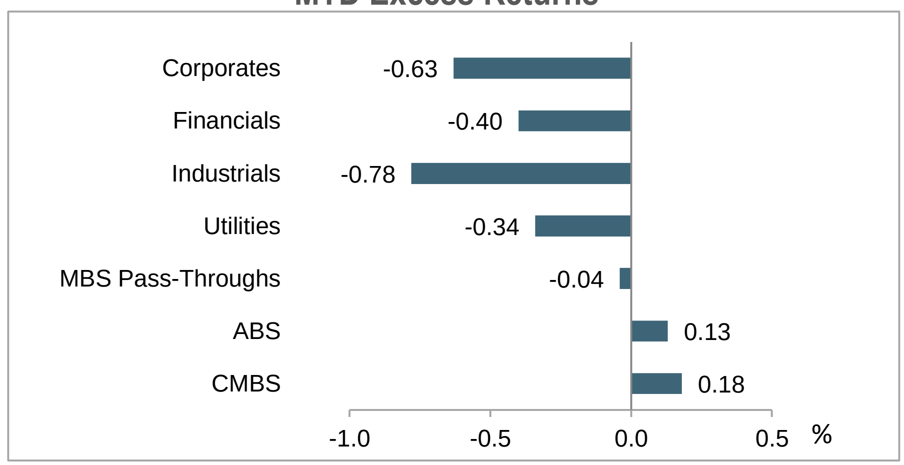
- Core inflation, which excludes volatile food and energy prices, rose to 1.8%, marginally beating expectations[1]
- Generally positive economic data reinforced investors' expectations for the Federal Reserve to raise rates in December, and the market-implied probability averaged 94% over the week[1]
- The Treasury curve flattened, and the spread between the 2-year and 30-year yields has narrowed 20bps on the month[1]
    - 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 week[2]
- Equity weakness leaked into the investment-grade corporate market, and spreads widened modestly, closing at 103bps[1]
    - 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 appreciation[1]
    - 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 Treasuries[1]
    - The 10-year municipal/Treasury ratio rose 4% to 87%

Treasury Yield Curve[1]



Maturity	2-year	5-year	10-year	30-year
11/15/2017	1.69	2.03	2.32	2.77
MTD Change	0.09	0.01	-0.06	-0.11

MTD Excess Returns[1*]



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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