• Third quarter US GDP growth was revised up by 0.3% to 3.3%, meeting expectations and continuing the trend of solid economic data¹
  • Expectations for fourth quarter GDP growth are around 2.5%
• The tax reform bill is currently with the Senate for review, and a final vote could take place as early as Friday¹
  • While it appears that passing tax reform has become more likely, the final bill could still evolve materially
• Treasury curve flattening continued, as the spread between the 2-year and 10-year yields briefly narrowed to 58bps, the lowest since 2007¹
  • The implied probability for an interest rate hike in December climbed above 98%, pushing short-end yields up
• Investment-grade corporate supply was solid this week, as issuers priced over $26 billion, led by Alibaba’s $7 billion deal²
• After widening to 103bps following heavy issuance earlier in the month, investment-grade corporate spreads tightened back in and closed the week at 98bps as the market worked to digest supply¹
  • Corporates underperformed Treasuries month-to-date, as weakness in the industrial sector outweighed strength from financials and utilities
• Strong demand and light supply in the asset-backed securities (ABS) market led to outperformance relative to Treasuries¹
• Heavy supply and potential impacts of tax reform weighed on the municipal market, and the sector underperformed Treasuries¹
  • The 10-year municipal/Treasury ratio rose 4% to 94%, the first time the ratio has risen above 90% since May

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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