• Congress is working to reconcile the House and Senate versions of the tax reform bill¹
  - This process could lead to meaningful changes to the final bill
• The Treasury curve flattened during the week, as investors continue to place more weight on future Fed rate hikes, applying upward pressure on the short end of the yield curve¹
  - The spread between 2-year and 30-year Treasury yields narrowed to 92bps, a new post-crisis low
• Supply slowed down this week, and investment-grade corporate issuers priced roughly $15 billion²
  - December supply is expected to be $25-35 billion
  - Year-to-date issuance is just above $1.2 trillion, approximately 5% ahead of last year’s pace
• Investment-grade corporate spreads grinded 1bp tighter, closing at 97bps, as strong demand persisted amid lighter supply¹
  - High-yield spreads followed suit, closing 1bp tighter at 348bps
• Heavy supply weighed on spreads in the commercial mortgage-backed securities (CMBS) market, and the sector modestly underperformed Treasuries¹
• The municipal market sharply rebounded this week after lagging significantly in November, and the 10-year municipal/Treasury ratio fell 11% to 83% after spiking as high as 95% last week¹
  - Demand for municipals picked up, as investors expect that supply will be meaningfully reduced next year if tax reform passes as currently written

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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