MARKET NEWS

- Jay Powell was nominated to succeed Janet Yellen as the Chair of the Federal Reserve (Fed), marking the first time in four decades that a Fed Chair was not offered a second term

- At its November meeting, the Fed unanimously voted to leave the federal funds rate unchanged at 1-1.25%, as expected, but exhibited a generally optimistic tone regarding the overall health of the US economy
  - The market-implied probability for a rate hike at the Fed’s December meeting jumped 13% to 98%
  - The Treasury curve flattened in November, as market expectations for a December Fed hike pressured front-end rates, while continued concern over the inflation picture weighed on the long end
  - The 2-year Treasury yield rose 18bps to 1.78%, and the 30-year Treasury yield fell 5bps to 2.83%
  - Investment-grade corporations priced $115 billion this month, pushing year-to-date supply above total issuance in 2016
  - Oracle, Alibaba, and Apple all came to market with sizable deals for a combined total of $24 billion
  - Investment-grade corporate spreads sold off in the first half of the month amid heavy supply, then rallied modestly through month end and closed November 2bps wider at 97bps
  - Negative headlines drove some weakness within the industrial sector, which underperformed both financials and utilities
  - A generally firm market tone coupled with overall positive US economic data supported securitized sectors, particularly the asset-backed securities (ABS) market, which generated 0.11% of excess return
    - Despite an uptick in supply, demand remains strong, and fundamentals also remain relatively healthy
  - Volatility increased in the municipal market amid further progress with tax reform, which could materially impact supply
    - The tax bill, in its current form, proposes removing the tax exemption for advance refundings, which permits issuers to refinance outstanding debt at lower rates
    - Supply picked up at the end of November as tax-exempt issuers tapped the market ahead of the potential reform

MARKET STATISTICS

### Treasury Yield Curve

- **Maturity (yrs)**: 2-year, 5-year, 10-year, 30-year
- **10/31/2017**: 1.78, 2.14, 2.41, 2.83
- **11/30/2017**: 2.14, 2.41, 2.83, 3.02
- **11/30/2016**: 2.41, 2.83, 3.31, 3.83

<table>
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<th>Maturity</th>
<th>2-year</th>
<th>5-year</th>
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<tr>
<td>11/30/2017</td>
<td>1.78</td>
<td>2.14</td>
<td>2.41</td>
<td>2.83</td>
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<td>MTD Change</td>
<td>0.18</td>
<td>0.12</td>
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### November Excess Returns

- **Corporates**: -0.03%
- **Financials**: 0.09%
- **Industrials**: -0.11%
- **Utilities**: 0.08%
- **MBS Pass-Throughs**: 0.04%
- **ABS**: 0.11%
- **CMBS**: 0.03%


*Excess 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.