• ADP released a stronger-than-expected employment report ahead of Friday’s nonfarm payrolls release¹
  • The ADP report points to 250,000 new jobs in December, well ahead of expectations for approximately 190,000

• Minutes from the December Federal Reserve (Fed) meeting showed that members discussed how the recently passed tax reform bill may impact growth and the pace of rate hikes¹
  • The Fed still expects to raise rates three times in 2018

• Treasury yields rose this week as the tax reform package buoyed equity markets to start the year and inflation expectations increased¹
  • The 10-year breakeven inflation rate closed above the Fed’s inflation target of 2% for the first time since March 2017

• Supply came back online to start the new year as investment-grade corporate issuers priced over $18 billion so far this week²

• Investment-grade corporate spreads leaked 1bp wider to 94bps as the market worked to digest ample supply¹

• The modest equity rally supported high-yield spreads, which tightened 9bps to 334bps, only 8bps wide of 2017 tights¹

• Securitized sectors outperformed Treasuries month to date, as strong demand for high-quality, short duration paper led to spread tightening¹

• Municipals outperformed Treasuries, as seasonally favorable technicals known as the “January effect” led to strong performance¹
  • The 10-year municipal/Treasury ratio fell 2% to 83%

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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