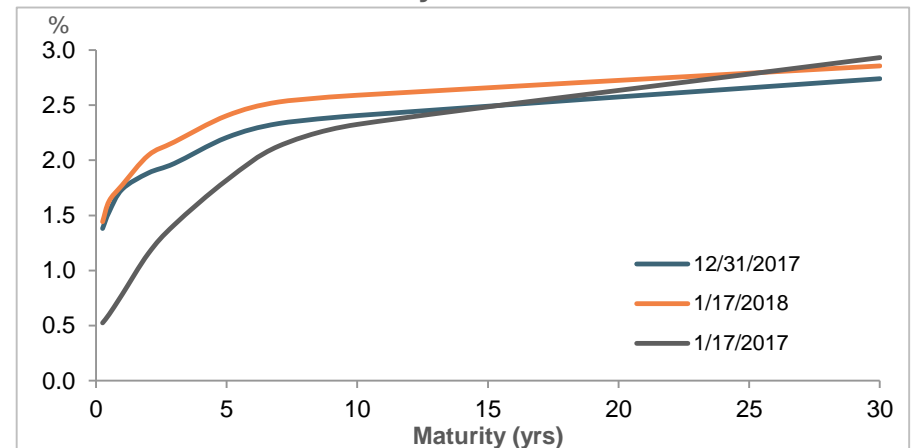




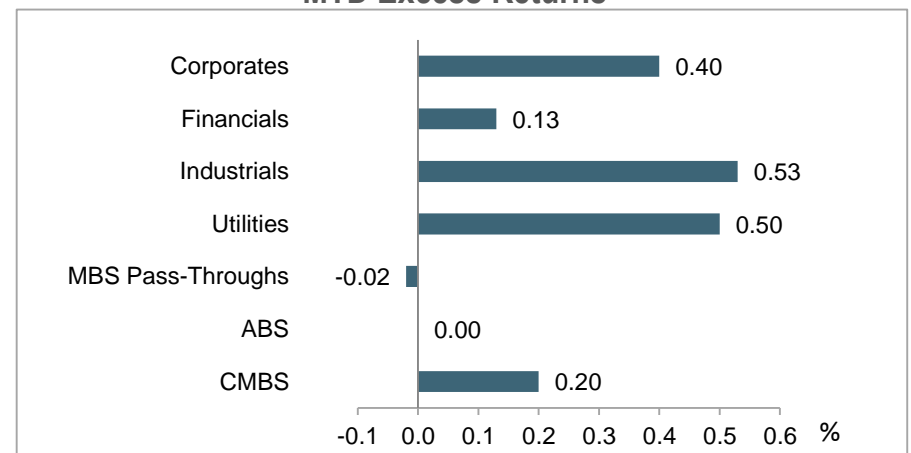
- The US Consumer Price Index (CPI) increased by 0.1% during December and 2.1% year over year, matching expectations¹
 - Core CPI increased by 0.3% during December and 1.8% year over year, beating expectations by 0.1%
- The Treasury yield curve flattened this week as the implied probability of a rate hike in March climbed above 88%, applying upward pressure on the front end¹
 - The 2-year yield climbed 8bps to 2.05%, eclipsing 2% for the first time since 2008, and the 30-year yield fell 4bps to 2.86%
- Investment-grade corporate supply remained steady this week, with issuers pricing \$33 billion, a majority of which came from financials²
- Demand for corporates persisted, and investment-grade corporate spreads moved 1bp tighter to 89bps, setting a new post-crisis tight¹
- Equity market strength spilled over to the high-yield market, where spreads tightened 7bps to 318bps, a post-crisis tight¹
- Mortgage-backed securities (MBS) underperformed Treasuries as the sharp month-to-date increase in rates led to increased extension concerns, weighing on spreads¹
- Commercial mortgaged-backed securities (CMBS) outperformed other securitized sectors following a supply hiatus due to an industry conference last week¹
- Municipals broadly performed in line with Treasuries during the week; however, the front end outperformed while the long end lagged¹
 - The 5-year municipal/Treasury ratio fell 2% to 73% while the 30-year ratio rose 2% to 98%

Treasury Yield Curve¹



Maturity	2-year	5-year	10-year	30-year
1/17/2018	2.05	2.41	2.59	2.86
MTD Change	0.16	0.20	0.18	0.12

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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