Congress voted Monday to end the government shutdown, which lasted three days with minimal spillover impact on the bond market¹

Treasury yields rose and the curve modestly steepened this week as investors placed more weight on a rate hike in March, and inflation expectations remain above 2%¹

- The 2-year yield climbed 3bps to 2.08% as the implied probability for a rate hike in March climbed 7% to 95%
- The 30-year yield jumped 7bps to 2.93% as the 10-year breakeven inflation rate held above 2% and closed at 2.07%

Supply slowed significantly, as investment-grade corporate issuers priced less than $10 billion following a supply surge last week²

Investment-grade corporate spreads traded in a 1bp range during the week and closed at 89bps, unchanged from last week¹

A firm market tone, buoyed by generally strong earnings reports, led to high-yield market strength, with spreads tightening 5bps to 313bps¹

The significant rise in Treasury yields led to weakness in the mortgage-backed securities (MBS) sector as concerns regarding potential extension led to selling¹

Commercial mortgage-backed securities (CMBS) outperformed Treasuries despite a pickup in supply, as strong demand for high-quality bonds persisted¹

Municipals broadly performed in line with Treasuries during the week as issuance began to pick up following weeks of light supply¹

- The 10-year muni/Treasury ratio climbed 1% 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 Treasurie.

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