• The US Producer Price Index (PPI) fell by 0.1% in December, missing expectations for a 0.2% increase and marking the first month-over-month decline in the index since August 2016¹
  • Investors will turn their attention to the release of the Core US Consumer Price Index (CPI) tomorrow, with expectations pointing to an increase of 0.2% excluding food and energy
• Treasury yields rose and the curve steepened as market inflation expectations increased, with the 10-year breakeven inflation rate rising 4bps to 2.04%¹
  • The 2-year yield climbed 4bps to 1.97%, while the 30-year yield jumped 11bps to 2.90%
• Supply was steady as investment-grade corporate issuers priced over $30 billion so far this week²
• Strong demand met solid supply, and investment-grade corporate spreads tightened 4bps to 90bps, a new post-crisis tight¹
• Equity market strength supported high-yield spreads, which tightened 9bps to 325bps after hitting a tight of 318bps earlier in the week¹
• Securitized sectors generally struggled to keep up with corporates, although commercial-backed mortgages (CMBS) generated healthy excess returns as supply slowed down during an industry conference that took place this week¹
• Municipals performed roughly in line with Treasuries, as investors consider how market supply may be impacted following a surge in issuance last month ahead of tax reform¹
  • The 10-year municipal/Treasury ratio fluctuated around 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.
²The 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.