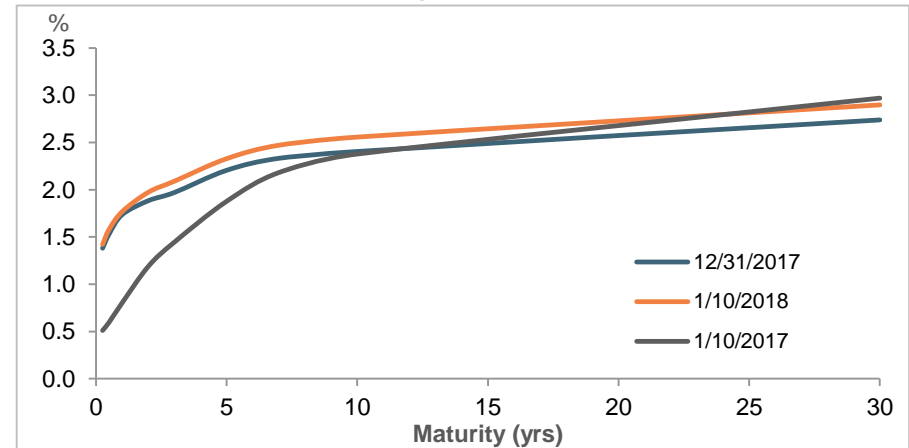




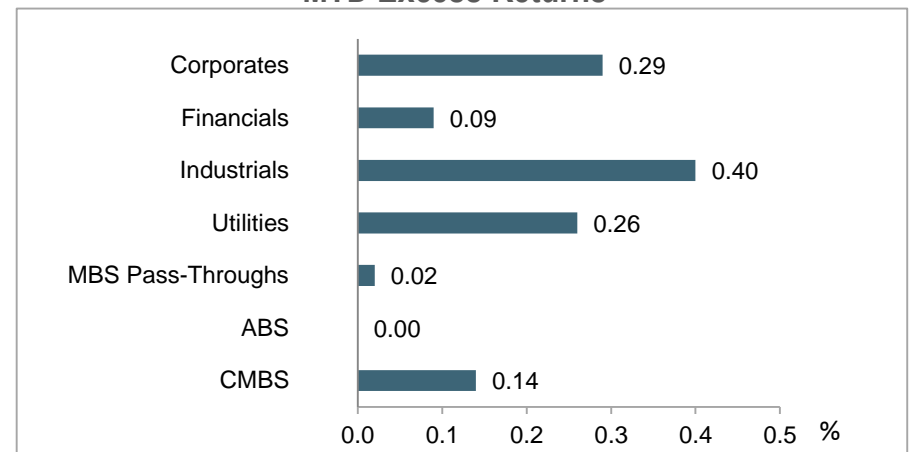
- The US Producer Price Index (PPI) fell by 0.1% in December, missing expectations for a 0.2% increase and marking the first month-over-month decline in the index since August 2016¹
 - Investors will turn their attention to the release of the Core US Consumer Price Index (CPI) tomorrow, with expectations 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%

Treasury Yield Curve¹



Maturity	2-year	5-year	10-year	30-year
1/10/2018	1.97	2.33	2.56	2.90
MTD Change	0.08	0.12	0.15	0.16

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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