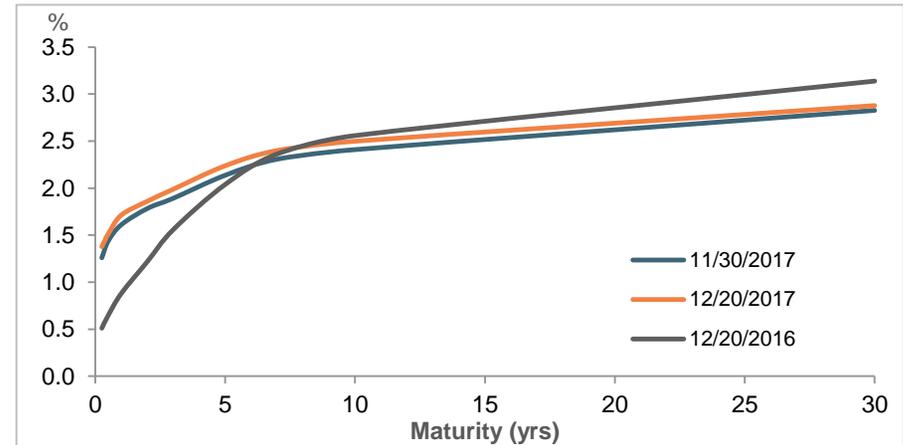




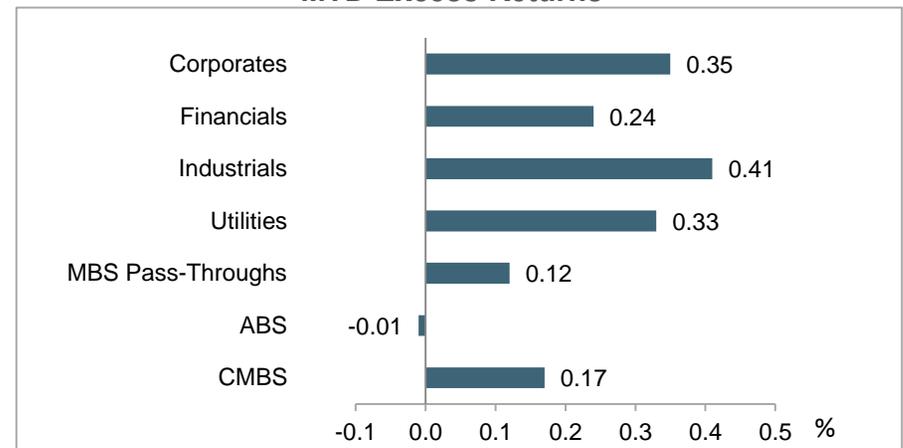
- Congress passed the tax reform bill on Wednesday, sending the bill to the president's desk, where it's expected to be signed into law over the next few weeks<sup>1</sup>
  - The corporate tax rate will be permanently reduced in 2018 to 21% from the current rate of 35%
- Attention now turns to a potential government shutdown, which is expected to be averted through a short-term funding bill to be voted on before the deadline on Friday<sup>1</sup>
- The Treasury yield curve steepened this week, as investors shifted their focus from short-end interest rate hikes to the potential inflationary impact of the tax reform bill<sup>1</sup>
  - The 10-year breakeven inflation rate climbed above 1.9% for the first time in approximately six months
  - The 2-year yield rose 8bps to 1.86%, while the 30-year yield jumped 15bps to close at 2.88%
- The seasonal slowdown in supply took hold this week, with no investment-grade corporate issuers coming to market<sup>2</sup>
- Lack of supply allowed investment-grade corporate spreads to move 2bps tighter and close at 94bps, matching 2017 tights<sup>1</sup>
  - High-yield spreads tightened 6bps to close at 344bps, still 16bps wide of 2017 tights
- Asset-backed securities (ABS) lagged Treasuries month to date, as the market works to digest ample supply from earlier in the month<sup>1</sup>
- Municipals modestly outperformed Treasuries, as investors welcomed a slower pace of supply following a few weeks of heavy issuance<sup>1</sup>
  - The 10-year municipal/Treasury ratio fell 2% to 85%

Treasury Yield Curve<sup>1</sup>



Maturity	2-year	5-year	10-year	30-year
12/20/2017	1.86	2.24	2.50	2.88
MTD Change	0.08	0.10	0.09	0.05

MTD Excess Returns<sup>1\*</sup>



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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