



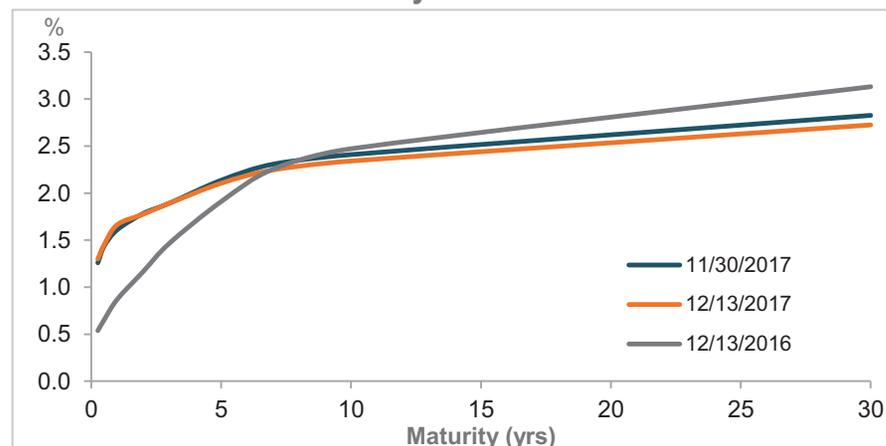
INCOME RESEARCH + MANAGEMENT

IR+M CLIENT UPDATE

December 8 – December 14, 2017

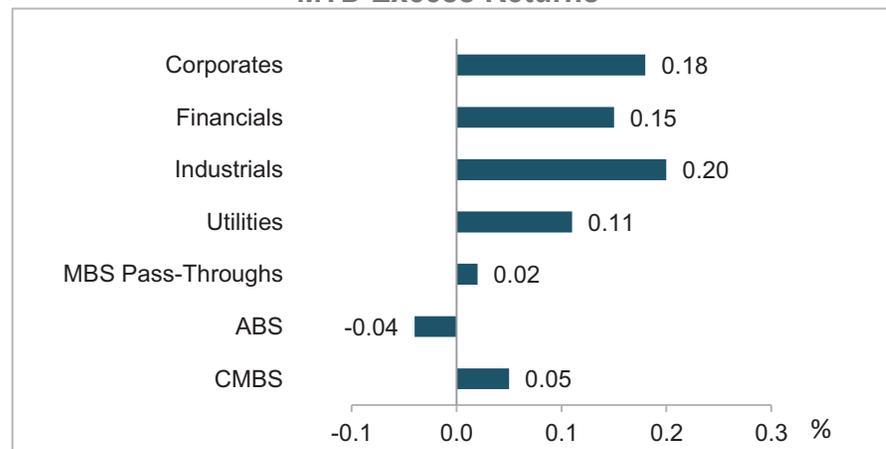
- The US Consumer Price Index (CPI) climbed by 0.4% during November and 2.2% year over year¹
 - While the headline number was strong, rising energy prices accounted for roughly three-fourths of the increase
 - Core CPI, which excludes food and energy, only rose 1.7% year over year, which was below expectations
- Despite the soft inflation print, the Federal Reserve (Fed) voted to raise the Fed Funds rate by another 0.25%, to a range of 1.25-1.50%, marking the fifth rate hike since the financial crisis¹
- Treasury yields were steady in the intermediate and long parts of the curve, while front-end yields declined modestly during the week¹
 - The 2-year yield fell 3bps to 1.78% while both the 10-year and 30-year yields held in at 2.34% and 2.73%, respectively
- Supply slowed materially this week, which is typical as we move toward year end, and investment-grade corporate issuers priced roughly \$5 billion²
- Investment-grade corporate spreads moved 1bp tighter under light supply, closing at 96bps¹
 - High-yield spreads reversed course and widened out 3bps to close at 350bps, still well inside historical averages¹
- Securitized sectors broadly lagged corporates month to date as heavier supply in the market led to underperformance¹
- The municipal market underperformed Treasuries this week as the elevated pace of supply this month weighed on the sector¹
 - The 10-year municipal/Treasury ratio climbed 4% to 87%

Treasury Yield Curve¹



Maturity	2-year	5-year	10-year	30-year
12/13/2017	1.78	2.11	2.34	2.73
MTD Change	0.00	-0.03	-0.07	-0.10

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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