• Minutes from the January Federal Reserve (Fed) meeting showed that members are generally optimistic regarding the outlook for economic growth and inflation¹

• Treasury yields rose across the curve and most significantly in the front end, where the 2-year yield jumped 10bps¹
  • Some investors interpreted the Fed meeting minutes as somewhat hawkish, placing upward pressure on rates
  • The 10-year yield closed 5bps higher at 2.95% and is nearing 3.00%, a level that the market has not seen since early 2014

• Supply started to gain some steam with investment-grade corporate issuers pricing over $10 billion during the holiday-shortened week²
  • Investment-grade corporate issuance is approximately 25% behind last year’s pace of supply

• Equity volatility subsided and the market tone improved, supporting investment-grade corporate spreads, which tightened 1bp to 93bps¹
  • The stronger market tone also aided high-yield spreads, which tightened 22bps to 334bps

• Mortgage-backed securities (MBS) outperformed during the week as demand for high-quality bonds benefited MBS spreads¹

• Municipals generally performed in line with Treasuries during the week as supply remained subdued and fund flows turned slightly negative for the first time in five weeks¹
  • The 10-year municipal/Treasury ratio remained range bound before closing unchanged at 85%

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.
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