The US Consumer Price Index (CPI) increased by 2.1% year over year, which beat expectations for an increase of 1.9%¹

- Core CPI, which excludes food and energy, rose by 1.8%, and also beat expectations, but remained below the Federal Reserve’s 2% target.

- Treasury yields rose, especially in the belly of the curve, as inflation expectations increased on the heels of the strong CPI print¹
  - The 5-year breakeven inflation rate jumped back above 2% after briefly falling to 1.95%.
  - The 10-year yield rose 6bps and closed at 2.90%, a level the market hasn’t seen since early 2014.

- Market volatility left investment-grade corporate supply subdued this week, and issuers priced roughly $9 billion².

- A soft market tone and heightened volatility impacted investment-grade corporate spreads, which widened out 7bps to 94bps¹
  - Weakness also weighed on the high-yield market, where spreads widened 22bps to 356bps¹.

- Securitized sectors were largely insulated from corporate market weakness, and asset-backed securities (ABS) fared relatively well due to strong demand, outperforming corporates¹.

- Municipals performed roughly in line with Treasuries during the week amid limited supply and positive fund flows¹
  - The 10-year municipal/Treasury ratio increased to 87% before settling in unchanged on the week at 85%.

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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