President Trump proposed tariffs on imports of steel and aluminum, which led to investor concerns regarding potential market implications\(^1\)

- Gary Cohn, Chief Economic Advisor, was opposed to tariffs, and resigned following the announcement
- Fears of possible retaliation from trade partners led to modest equity market weakness and credit spread widening
- The Treasury curve steepened slightly as long-term yields rose and short-term yields held steady\(^1\)
  - The 30-year yield increased 2bps to 3.15% while the 2-year yield closed unchanged at 2.25%
- Investment-grade supply was robust on a headline basis at over $50 billion, but the majority can be attributed to the CVS deal on Tuesday\(^2\)
  - CVS priced $40 billion across 9 tranches, which will be used to fund its acquisition of Aetna
- Corporate spreads widened in response to heightened supply and discussions of potential trade wars, with investment-grade spreads widening 5bps to 100bps\(^1\)
- Asset-backed securities (ABS) outperformed Treasuries, as an industry conference led to light supply, benefiting spreads\(^1\)
- Lack of issuance supported municipals, which outperformed Treasuries, especially in the short and intermediate space\(^1\)
  - The 2-year muni/Treasury ratio declined 1% to 69%

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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