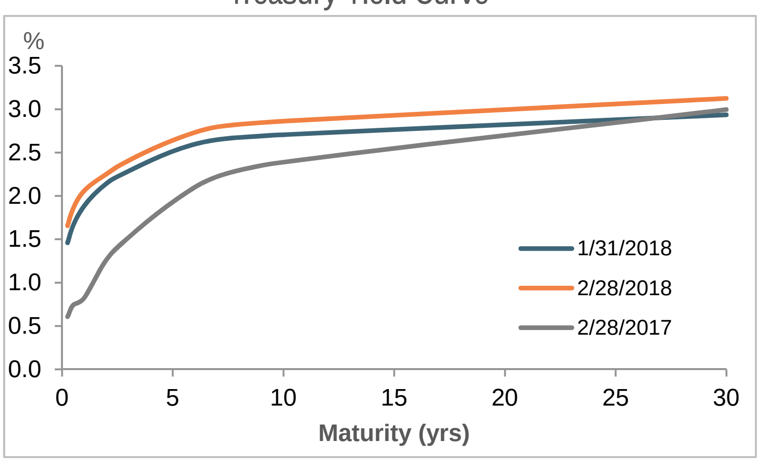
MARKET NEWS

- New Federal Reserve (Fed) chair, Jerome Powell, gave his first testimony before Congress in which he acknowledged improving US economic factors, such as low unemployment and healthy business sentiment, but tempered these comments, citing the lackluster inflation picture
    - Powell did not explicitly state the number of rate hikes expected this year, but indicated that recent economic improvements will be considered at the Fed's March meeting, suggesting a potential increase in the number of projected hikes this year from three to four
    - The implied-market probability for at least three and four hikes by year end is 74% and 35%, respectively[1]
- Despite the risk market selloff at the beginning of February, Treasury yields climbed gradually across the curve[1]
    - The 2-year Treasury yield jumped 11bps to 2.25%, a level the market hasn't seen in 10 years
- Issuers priced around $90 billion in the investment-grade corporate market, which was modestly above expectations, but meaningfully lower than January's total of $125 billion[2]
- Corporate spreads proved resilient through the initial stretch of equity market weakness at the beginning of February, but subsequently sold off[1]
    - Investment-grade spreads closed at 96bps, 10bps and 2bps wider on the month and year, respectively
    - High-yield spreads ended February at 336bps, 17bps wider on the month and 7bps tighter on the year
- Securitized sectors fared better than corporates, as those markets are typically more insulated from equity volatility[1]
    - In mortgages, higher rates led to some extension fears; however, the low housing supply and moderate net issuance projections continued to support that market
- Municipal bond yields trended higher, in sympathy with Treasuries, and municipal/Treasury ratios dropped marginally[1]
    - The 2-year municipal/Treasury ratio declined 3% to 70%, and the 30-year municipal/Treasury ratio closed 2% lower at 99%

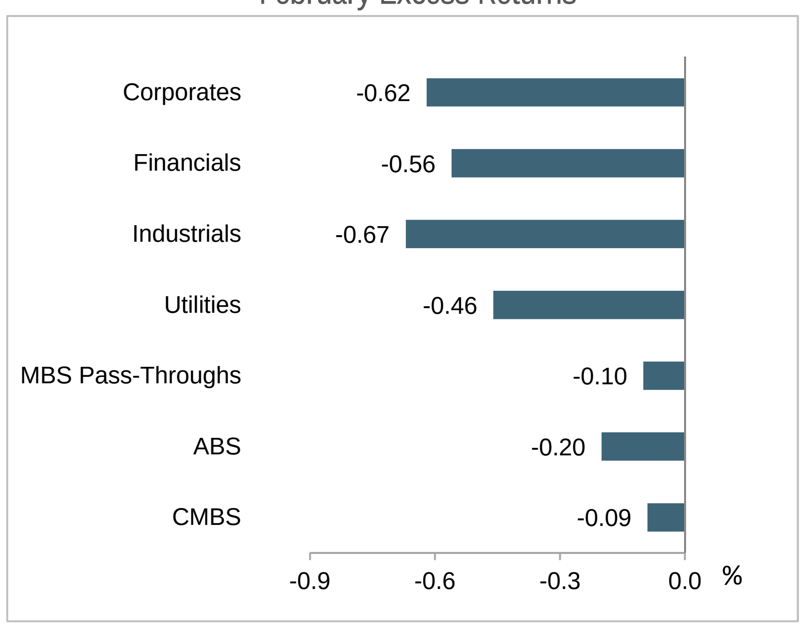
MARKET STATISTICS

Treasury Yield Curve[1]



Maturity	2-year	5-year	10-year	30-year
2/28/2018	2.25	2.64	2.86	3.13
MTD Change	0.11	0.12	0.15	0.19

February Excess Returns[1*]



As of: 2/28/18. 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.