IR+M

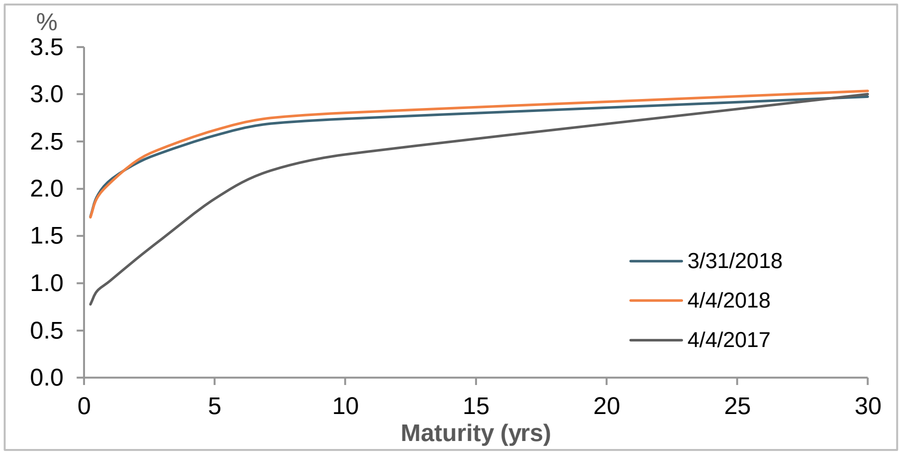
INCOME RESEARCH + MANAGEMENT

IR+M CLIENT UPDATE

April 1 – April 5, 2018

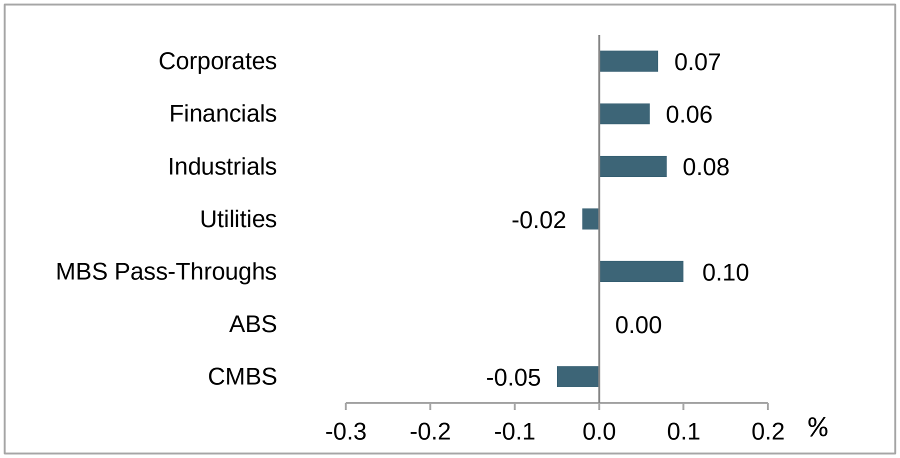
- US Treasury rates rose across the curve this week amid positive economic signals and heightened equity market volatility[1]
    - Rates moved in tandem across most of the curve, as the 5- through 30-year points migrated 6 basis points higher
- March auto sales came in well above expectations and pushed estimated Q1 GDP slightly higher to 1.8%[1]
- John Williams, the current Federal Reserve Bank of San Francisco president, was selected as the next president of the Federal Reserve Bank of New York, a much more prominent role
    - The market viewed the move positively given Williams' prior voting record, and expects that the Federal Open Market Committee's gradual normalization of monetary policy will continue
- Despite widening in sympathy with equity market volatility during the first half of the week, investment-grade corporate spreads ended the week unchanged at 109 basis points[1]
- Corporate supply reached $12.5 billion for the week, in-line with both weekly and monthly estimates; year-to-date supply is down 14% compared to 2017[2]
- Commercial mortgage-backed security (CMBS) spreads remained pressured by a robust new issue pipeline and secondary market supply due to a rotation into short corporate bonds by investors
- Municipals outperformed Treasuries by a wide margin during the week, as lighter supply continues to be a positive technical
    - The 10-year municipal/Treasury ratio moved 3% lower during the week, ending at 88%[1]

Treasury Yield Curve[1]



Maturity	2-year	5-year	10-year	30-year
4/4/2018	2.29	2.62	2.80	3.04
MTD Change	0.03	0.06	0.06	0.06

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.