Minutes from the Federal Reserve’s (Fed) May meeting pointed towards another rate hike in June, consistent with market expectations¹
  • Committee members emphasized that the 2% inflation target is symmetrical, reflecting a dovish tone and a willingness to allow inflation to modestly surpass the target
  • Treasury yields fell over the week, most notably in the belly of the curve, and the curve flattened following the release of the Fed’s meeting minutes¹
    • 2-year and 30-year yields both fell by 6bps to 2.53% and 3.15% respectively, while the 10-year yield decreased 10bps to 2.99%
  • Investment-grade corporate issuers priced roughly $20 billion this week, bringing total issuance to $538 billion, 7% behind last year’s pace²
    • Vodafone issued $11.5bn across six tranches, the majority of the week’s total, to fund its acquisition of Liberty Global Plc
  • Corporate spreads initially tightened due to light supply and progress in trade talks between the United States and China, but later widened, leaving spreads 1bp wider on the week at 109bps¹
    • High-yield corporate spreads widened 12bps to close at 344bps
  • Heavy supply weighed on securitized sectors which struggled to keep pace with Treasuries during the week¹
    • Asset-backed securities (ABS) held in well despite heavy supply with strong demand supporting spreads
  • Municipals underperformed Treasuries during the week, with the 10-year municipal/Treasury ratio rising slightly to 84%¹
    • Year-to-date supply reached $122 billion, down 18% compared to this time last year

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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**Treasury Yield Curve¹**

<table>
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<tr>
<th>Maturity</th>
<th>2-year</th>
<th>5-year</th>
<th>10-year</th>
<th>30-year</th>
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</thead>
<tbody>
<tr>
<td>5/23/2018</td>
<td>2.53</td>
<td>2.83</td>
<td>2.99</td>
<td>3.15</td>
</tr>
<tr>
<td>MTD Change</td>
<td>0.04</td>
<td>0.03</td>
<td>0.04</td>
<td>0.03</td>
</tr>
</tbody>
</table>

**MTD Excess Returns¹**

- Corporates: -0.04
- Financials: 0.00
- Industrials: -0.04
- Utilities: -0.16
- MBS Pass-Throughs: 0.07
- ABS: 0.10
- CMBS: 0.20

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