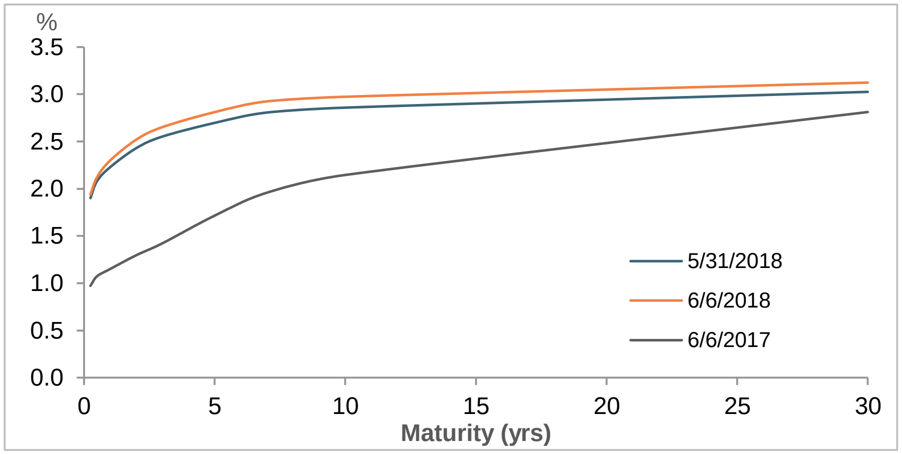
IR+M
INCOME RESEARCH + MANAGEMENT

IR+M CLIENT UPDATE

June 1 – June 6, 2018

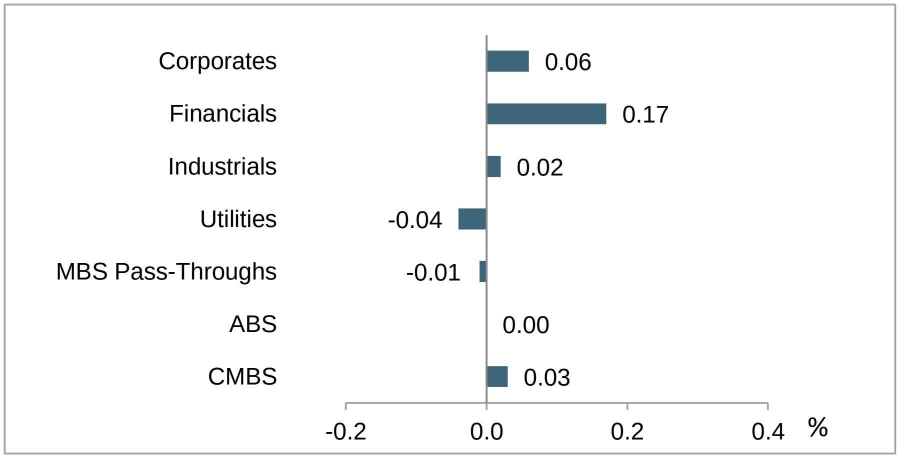
- Despite demand for safe-haven assets amid trade uncertainty between China and the United States, solid economic data pushed Treasury yields higher[1]
    - Treasury yields moved in tandem during the week, as the 2-year yield increased 9bps to 2.52% and the 30-year yield rose 10bps to 3.12%
- Labor market growth continued and the unemployment rate fell to a new 18-year low of 3.8%[1]
    - Nonfarm payrolls were up 223,000 in May, 33,000 more than expectations, and average hourly earnings increased at an annual rate of 2.7%, ahead of expectations to increase 2.6%
- Corporate issuance remained strong this week as investment-grade issuers priced over $33bn[2]
    - Supply totaled $16bn on Tuesday, the largest single day total this year since January 18th, as Union Pacific Corporation issued $6bn across the curve
- Investment-grade corporate spreads were resilient to heavy supply and tightened 1bp, from a year-to-date wide, to 114bps[1]
    - Positive sentiment in equity markets spilled over to high-yield corporate spreads, which tightened 19bps to close at 344bps
- Strong demand supported commercial mortgage-backed securities (CMBS) as spreads tightened 1bp to 66bps[1]
- Lack of issuance supported municipals which outperformed Treasuries during the week[1]
    - The 5-year muni/Treasury ratio closed at 71%, the lowest level since mid-January

Treasury Yield Curve[1]



Maturity	2-year	5-year	10-year	30-year
6/6/2018	2.52	2.81	2.97	3.12
MTD Change	0.09	0.11	0.11	0.10

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.

100 Federal Street, 30th Floor Boston, MA 02110 (617) 330-9333 www.incomeresearch.com