• The US Consumer Price Index (CPI) increased by 0.2% and 2.8% on the month and year, respectively, in line with expectations¹
• The Federal Reserve (Fed) raised the fed funds rate by another 25bps and indicated its expectation for two additional hikes this year¹
  • This was the second rate increase year-to-date, and the seventh since the Fed began raising rates in 2015
• The Treasury curve flattened post announcement given the more hawkish tone and the 2-year yield increased 3bps to 2.57%, 2bps off its highest level since 2008 of 2.59%¹
  • The difference between the 2-year yield and 10-year yield reached a new post-crisis low of 40bps
• Investment-grade corporate supply was light early in the week, ahead of the Fed meeting, but issuers still managed to price over $22 billion²
  • Technology issuers, having issued just $10 billion of the $614 billion year-to-date total new supply, remain largely absent from the primary market
• Lighter issuance supported investment-grade corporates with spreads flat on the week at 114bps¹
  • Continued equity market strength buoyed high-yield corporate spreads, which tightened 15bps to close at 329bps
• Mortgage-backed securities (MBS) struggled to keep pace with Treasuries month to date, as heightened interest rate volatility weighed on performance¹
• Municipalities priced over $10 billion for a total of $136 billion so far this year, $26 billion less than this time last year¹
  • Positive fund flows continued for the fifth straight week as investors added $327 million to municipal bond mutual funds

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 Treasurys.
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