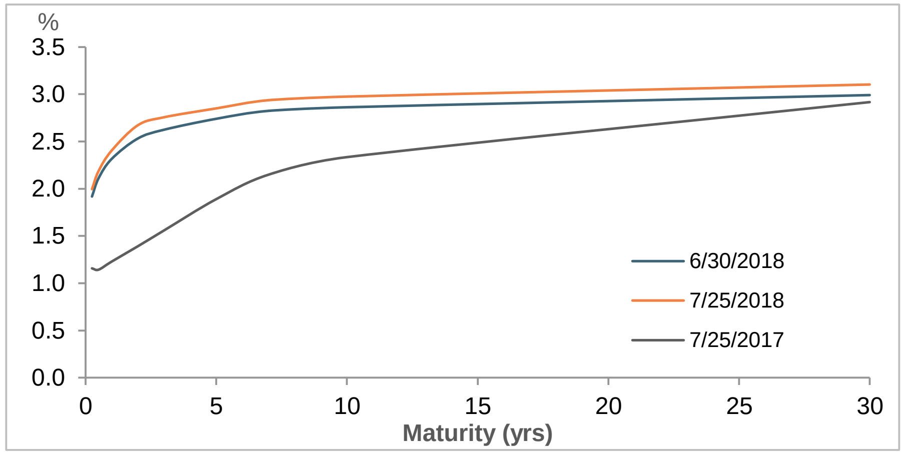
INCOME RESEARCH + MANAGEMENT

IR+M CLIENT UPDATE
July 20 – July 26, 2018

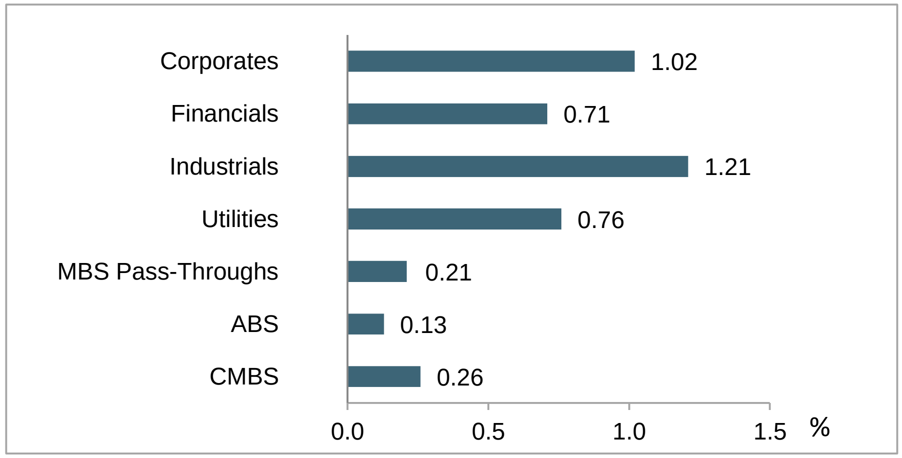
- The number of Americans filing for unemployment benefits rose 9,000 to 217,000 last week, up slightly from the lowest level since 1969; the relatively low number of claims continues to signal a solid labor market[1]
- New home sales fell over 5% in June, despite a decrease in the median home price, revealing potential weakness in the housing market[1]
- Longer-maturity Treasury yields rose more than shorter-dated yields week-over-week, and the curve modestly steepened[1]
    - The 2-year yield increased 6bps while the 10- and 30-year yield rose 11bps and 12bps, respectively
- Issuers brought roughly $12 billion in issuance this week, slightly below the low-end of estimates, and 5% behind last year's year-to-date pace[2]
    - Deals were well diversified across borrowers, with only one issuer bringing more than $1.5 billion to market
- Lighter supply and strong demand helped investment-grade corporate spreads tighten 4bps to 113bps[1]
    - Investors were eager to participate in the new issue market with dealer books 4.3 times oversubscribed versus a year-to-date average of 2.8 times oversubscribed
- High-yield corporates followed a rising equity market, and spreads fell 7bps to close at 343bps[1]
- Commercial mortgage-backed securities (CMBS) outperformed Treasuries, benefiting from strong demand[1]
- Municipals have priced roughly $174 billion year-to-date, over $30 billion less than this time last year, and the low supply helped Municipals outperform Treasuries this week[1]
    - Moody's revised the outlook for California's General Obligation debt from stable to positive, citing a strong performing economy

Treasury Yield Curve[1]



Maturity	2-year	5-year	10-year	30-year
7/25/2018	2.67	2.85	2.98	3.10
MTD Change	0.14	0.11	0.11	0.12

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.