

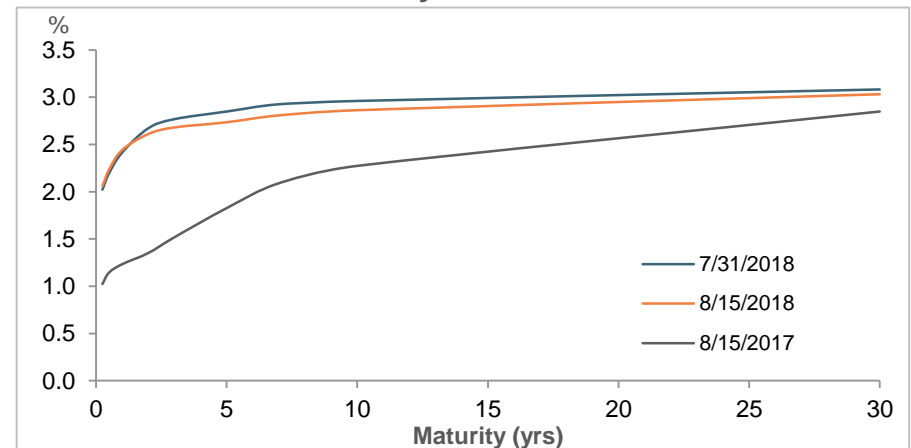


IR+M CLIENT UPDATE

August 10 – August 16, 2018

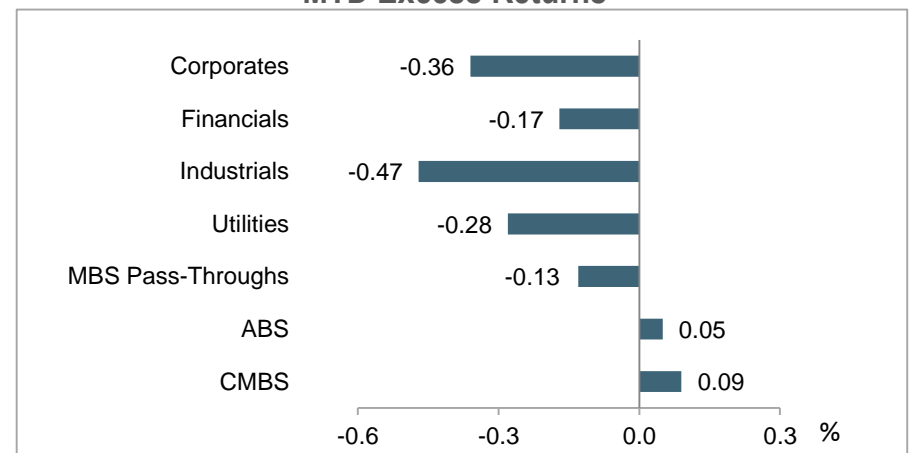
- The US Consumer Price Index (CPI) rose 0.2% and 2.9% on the month and year, respectively, due primarily to higher shelter costs¹
- Retail sales rose 0.5% in July to beat consensus forecasts; demand for motor vehicles was down but was more than offset by solid restaurant and e-commerce sales¹
 - Strength in consumer spending, a main driver of economic growth, is being supported by a healthy labor market and could help lift third-quarter GDP estimates
- Import prices, excluding fuels, fell 0.3% in July despite escalating trade tensions between the U.S. and China, and could signal a reversal in the five-month trend of import price increases¹
- Treasury yields fell across the curve, as a soft market tone induced by the currency crisis in Turkey caused investors to demand safer assets¹
- Heavy investment-grade corporate supply continued into this week as over \$23 billion priced on Monday and Tuesday, followed by an additional \$6 billion later in the week¹
 - After just two weeks, August issuance of over \$66 billion has already surpassed estimates for the entire month
- Corporate spreads leaked 5bps wider to 113bps, reversing positive month-to-date excess returns, as weak market sentiment and the wave of supply weighed on spreads¹
- Despite heavy supply, asset-backed securities (ABS) and commercial mortgage-backed securities (CMBS) outperformed corporates this week¹
- Municipals outpaced Treasuries, with longer-maturity bonds outperforming shorter bonds¹
 - Investors added another \$629 million into municipal bond funds last week, the fourteenth consecutive week of inflows²

Treasury Yield Curve¹



Maturity	2-year	5-year	10-year	30-year
8/15/2018	2.61	2.74	2.86	3.03
MTD Change	-0.06	-0.11	-0.10	-0.05

MTD Excess Returns^{1*}



Source: 1. Bloomberg Barclays 2. Investment Company Institute

*Excess returns are the curve-adjusted excess return of a given index relative to a term structure-matched position in Treasuries.

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