**MARKET NEWS**

- US economic data releases in August continued to either match or beat estimates; the unemployment rate fell to 3.9%, the US Core Consumer Price Index (CPI) ticked up to 2.4%, and second-quarter GDP was revised upward from 4.1% to 4.2%¹

- Market-implied probabilities point towards a 25bps rate hike during the Federal Reserve’s (Fed) September meeting¹
  - The number of rate hikes for the remainder of 2018 is less certain with a 63% probability of at least two more

- Treasury yields declined across the curve, most notably in the belly of the curve, as geopolitical tensions fanned concerns regarding global growth¹
  - 2-year yields decreased by 4bps to 2.63% while 10-year yields fell by 10bps to 2.86%; the difference between 10-year yields and 2-year yields briefly touched 19bps during the month, setting a new post-crisis low

- August supply was heavy at the beginning of the month until the pace slowed over the last two weeks, and investment-grade corporate issuers ultimately priced approximately $80 billion, which was above estimates of $65-75 billion²
  - Year-to-date supply stands at roughly 9% behind last year’s pace, as issuers printed over $90 billion in August 2017

- Heavier-than-expected supply weighed on investment-grade corporate spreads, which widened by 5bps to close at 114bps¹
  - Spreads traded within a 7bps range during the entire month of August, closing at the wide end of the range
  - High-yield spreads were more volatile, trading in a 28bp range before ending 2bps wider at 338bps

- Securitized sectors generally outperformed corporates, and both asset-backed securities (ABS) and commercial-backed securities (CMBS) outpaced Treasuries during the month¹
  - ABS spreads benefited from a lighter month of supply following a near-record pace in July

- Municipals underperformed Treasuries for only the second month of 2018, and the 10-year municipal/Treasury ratio increased 2% to close at 86%, as heavy supply in early August pressured yields¹

**MARKET STATISTICS**

**Treasury Yield Curve¹**

<table>
<thead>
<tr>
<th>Maturity</th>
<th>2-year</th>
<th>5-year</th>
<th>10-year</th>
<th>30-year</th>
</tr>
</thead>
<tbody>
<tr>
<td>8/31/2018</td>
<td>2.63</td>
<td>2.74</td>
<td>2.86</td>
<td>3.02</td>
</tr>
<tr>
<td>MTD Change</td>
<td>-0.04</td>
<td>-0.11</td>
<td>-0.10</td>
<td>-0.06</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>August Excess Returns¹⁺</th>
<th>Corporates</th>
<th>Financials</th>
<th>Industrials</th>
<th>Utilities</th>
<th>MBS Pass-Throughs</th>
<th>ABS</th>
<th>CMBS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>-0.43</td>
<td>-0.16</td>
<td>-0.59</td>
<td>-0.27</td>
<td>-0.14</td>
<td>0.08</td>
<td>0.18</td>
</tr>
</tbody>
</table>


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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