Federal Reserve Chairman Powell made comments on Tuesday that the US economy is, “a long way from neutral”, suggesting that the Fed will continue to raise rates for the foreseeable future; the neutral rate is the point at which interest rates neither boost or slow the economy¹

September’s ADP employment report revealed that the US economy added 230,000 private-sector employees during the month, surpassing consensus estimates that called for 185,000 new jobs¹

Treasury yields rose, and the curve steepened, following the release of September’s ISM non-manufacturing index, which reached a post-crisis high, indicating that service industries are expanding¹

- Following Powell’s comments and the positive economic reports, the 10- and 30-year Treasury rates jumped to multi-year highs of 3.18% and 3.34%, respectively, and the 5-year yield surpassed 3% for the first time since 2008

- After a heavy calendar in September, the investment-grade corporate new issue market continued at a strong pace, totaling over $42 billion month-to-date²

- Comcast Corporation’s $27 billion transaction, to help finance the acquisition of Sky Plc, was the second largest deal of 2018; the $40 billion new issue that CVS brought to market earlier this year was the largest³

- Despite greater-than-expected supply, investment-grade corporate spreads benefited from strong demand and were unchanged month-to-date, closing at 105bps¹

- Asset-backed securities (ABS) outperformed Treasuries as heightened demand from yield-driven investors supported the high-quality sector in the face of heavy supply¹

- Municipals outperformed Treasuries during the week as light supply provided a positive technical backdrop¹


¹Excess returns are the curve-adjusted excess return of a given index relative to a term structure-matched position in Treasuries. The views contained in this report are those of IR+M and are based on information obtained by IR+M from sources that are believed to be reliable. This report is for informational purposes only and is not intended to provide specific advice, recommendations, or projected returns for any particular IR+M product. No part of this material may be reproduced in any form, or referred to in any other publication, without express written permission from Income Research & Management.