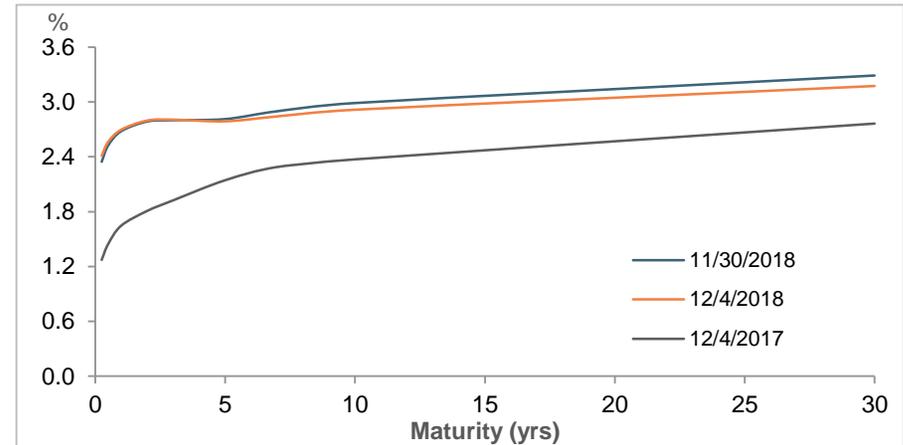




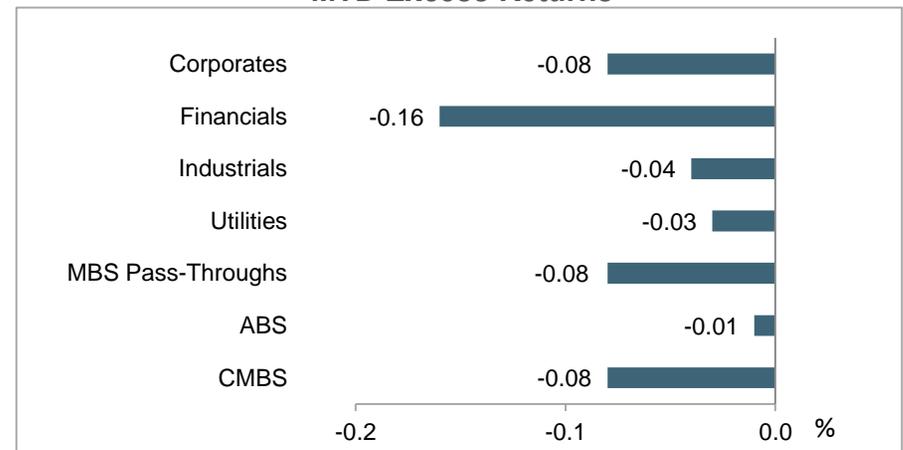
- Early in the week, optimism was high after the US and China agreed to de-escalate trade hostilities at last weekend's G20 summit in Argentina; reports suggest that the US will maintain the 10% tariff, and China will purchase US goods to offset the trade imbalance
 - Market reaction was initially positive but faded a day later with the short end of the Treasury yield curve inverting, sparking questions of future Fed action
 - Market-implied probabilities for a December rate hike fell to 69%
- Treasury yields rose up to 6bps in the short end, while yields fell as much as 12bps in the long end, further flattening the curve
 - The yield of the 2-year Treasury exceeded the yield of the 5-year Treasury, and the difference between the 2-year and 10-year yield reached a low of 9bps, a level not seen since 2007
- Supply was light as investment-grade issuers only tapped the primary market on Monday, bringing roughly \$4bn of new issuance; with unfavorable market conditions on Tuesday and bond markets closed on Wednesday, total new supply was below expectations of \$10bn
 - New issues in the corporate market were met with tepid demand and had larger than average concessions of over 10bps
- Corporate spreads widened 3bps to reach new year-to-date wides of 140bps; however, energy companies benefited from a jump in oil prices, and outperformed Treasuries by 21bps month-to-date
- Asset-backed securities (ABS) benefited from strong demand and outperformed other securitized sectors, despite \$241bn in year-to-date ABS issuance surpassing last year's pace of \$231bn
- Front-end municipals lagged Treasuries, while longer maturity munis were in line; 30-day visible supply is \$11.4bn, above this year's average of \$9.4bn, and a potential headwind going into 2019

Treasury Yield Curve



Maturity	2-year	5-year	10-year	30-year
12/4/2018	2.80	2.79	2.91	3.17
MTD Change	0.01	-0.02	-0.07	-0.12

MTD Excess Returns



Sources: Bloomberg Barclays, Bloomberg and Citigroup

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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