Minutes from the January Federal Reserve (Fed) meeting showed a divided opinion among officials on whether or not to increase interest rates in 2019, given recent modest levels of global economic growth and subdued inflationary pressures.

- The minutes also revealed that members favored ending the balance sheet reduction prior to year-end, ahead of market expectations.

- Treasury yields drifted higher in response to the Fed meeting minutes; however, rates were still 1-2bps lower week-over-week, as investors’ focus on slowing global growth outweighed the reaction to the meeting.

- The corporate new-issue market was active, as issuers priced over $25 billion and surpassed the high end of estimates for the week; issuers paid negative new-issue concessions for the third consecutive day, and most deals were multiple times oversubscribed.

- Demand for newly issued corporate bonds remained strong, but spreads leaked 1bp wider to 125bps, as heavy supply and solid demand for Treasuries weighed on spreads.

- High-yield corporate spreads closed below 400bps for the first time in three months, as light supply, strong inflows and a rally in oil prices caused spreads to narrow by 4bps to 398bps.

- Issuance of asset-backed securities (ABS) totaled roughly $40 billion year-to-date, ahead of the $37 billion of supply at this time last year, as issuers priced deals ahead of an industry conference next week.

- Municipal issuance totaled over $45 billion year-to-date, well ahead of last year’s pace of $33 billion.

- Municipals underperformed Treasuries this week amid the heavy issuance and muni/Treasury ratios rose across the curve.

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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