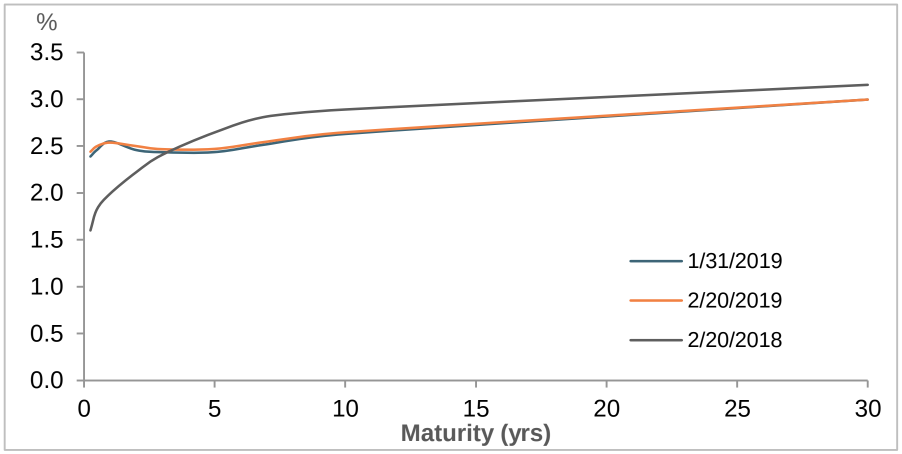
IR+M INCOME RESEARCH + MANAGEMENT

IR+M CLIENT UPDATE

February 15 – February 21, 2019

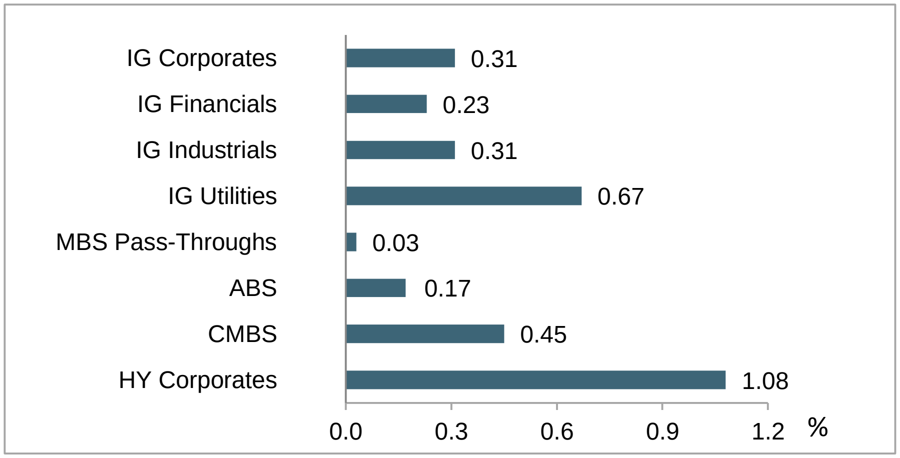
- Minutes from the January Federal Reserve (Fed) meeting showed a divided opinion among officials on whether or not to increase interest rates in 2019, given recent modest levels of global economic growth and subdued inflationary pressures
    - The minutes also revealed that members favored ending the 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

Treasury Yield Curve



Maturity	2-year	5-year	10-year	30-year
2/20/2019	2.50	2.47	2.65	3.00
MTD Change	0.04	0.03	0.02	0.00

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.

100 Federal Street, 30th Floor Boston, MA 02110 (617) 330-9333 www.incomeresearch.com