Treasury yields fell across the curve as the US economy saw only modest job growth last month and muted inflation data, leading investors to price in a lower likelihood of the Federal Reserve increasing rates

- The implied probability of a rate hike in 2019 fell to 0%, while the probability of a rate cut this year increased to over 25%
- Both the core Consumer Price Index (CPI) and the Producer Price Index (PPI) came in below expectations in February, with core CPI and PPI up 0.1%, missing estimates of 0.2%
- Over $25 billion of corporates came to market, ahead of the $20 billion expected, as issuers took advantage of high subscription levels and below average concessions; however, primary market metrics have begun weakening and may suggest investor demand is falling
  - Despite investment-grade supply surpassing estimates for two consecutive weeks, year-to-date issuance dipped below last year’s pace by over 5%
- Investment-grade corporates underperformed Treasuries, despite positive market sentiment and solid demand, amid a heavy wave of supply
  - Investment-grade corporate spreads were unchanged week-over-week at 121bps, 1bp off of the year-to-date tights
- Equity-market strength, low supply, and rising oil prices pushed high-yield corporate spreads 6bps tighter this week to close at 388bps
- Mortgage backed-securities (MBS) outperformed Treasuries and other spread product month-to-date, as rate volatility fell to year-to-date lows
- Heavy supply, which totaled over $11 billion this month, weighed on munis, and the sector underperformed Treasuries month-to-date

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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