• The Federal Reserve (Fed) held interest rates steady and signaled that further rate hikes were unlikely in 2019 – a more dovish stance than the market expected
  • The Fed also announced that in May it would begin to slow the pace at which it will reduce the $4 trillion balance sheet
  • Balance sheet reduction is now set to end at approximately $3.5 trillion in September 2019
• Treasury yields fell across the curve; the 10-year Treasury yield reached 2.53%, the lowest level since January 2018, and the 30-year yield broke through 3.00% to close at 2.97%
• Investment-grade corporate spreads tightened by 1bp to 120bps week-over-week, as investor demand for risk assets remained solid
• Corporate issuers priced $18 billion of investment-grade bonds, which met dealer’s expectations of $15 to $20 billion
  • Year-to-date issuance is behind the 2018 pace by 8%
• Highyield borrowers issued $15 billion month-to-date; deals came late to the market and increased offering sizes amid solid fund inflows
  • With increased supply, investors required wider high-yield spreads, which has led to underperformance compared to up-in-quality assets
• Securitized sectors outperformed Treasuries over the week, as demand increased amid a reversal of negative investor sentiment
• Municipals underperformed Treasuries this week, and Muni/Treasury ratios moved three percentage points higher to 81.3%, off the record low of 78.2% seen earlier in the month

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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