MARKET NEWS

- Investor appetite for risk persisted during the month amid a firm market tone, and equities continued to perform well, as the S&P 500 Index returned approximately 4% in April and reached an all-time high.
- US economic data continued to suggest a fairly healthy economy, with first-quarter GDP coming in above expectations, at an annualized rate of 3.2%, and unemployment remaining below 4%
  - Inflation data was subdued; the Federal Reserve’s preferred measure, Core Personal Consumption Expenditures (Core PCE), came in at 1.6%, which was below the Fed’s 2% target and the lowest rate since September 2017.
  - Treasury yields rose across the curve and especially in the long end, as investors favored risk assets over Treasuries, and long-term inflation expectations rose, with the 10-year breakeven inflation rate climbing by 8bps, from 1.87% to 1.95%.
  - The curve steepened during the month, as the difference between 10- and 2-year yields increased by 9bps to 23bps.
- April corporate supply of roughly $76 billion came in at the low end of expectations, which called for $75 to $85 billion.
  - Saudi Aramco’s $12 billion deal was the largest of the month, and the bonds have since underperformed the market.
  - Year-to-date issuance is approximately 7% behind last year’s pace, mainly due to a heavy April 2018, in which investment-grade corporate issuers priced over $100 billion.
- Strong demand met moderate supply, and investment-grade corporate spreads tightened by 8bps during the month, to close at 111bps, just 2bps above the year-to-date tight level of 109bps, which was achieved earlier in the month.
- High-yield corporates followed suit, and spreads tightened by 33bps during the month, from 391bps to close at 358bps.
- Securitized sectors struggled to keep pace with the rally in corporates, though both asset-backed securities (ABS) and commercial mortgage-backed securities (CMBS) outperformed Treasuries.
- Municipal performance was bifurcated during the month, as long-end municipals significantly outperformed Treasuries while shorter-maturity muni bonds underperformed Treasuries.
  - The 30-year muni/Treasury ratio declined by 6% during the month while the 2-year ratio rose by 2%.

MARKET STATISTICS

<table>
<thead>
<tr>
<th>Treasury Yield Curve</th>
<th>April Excess Returns*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Maturity</strong></td>
<td><strong>2-year</strong></td>
</tr>
<tr>
<td><strong>4/30/2019</strong></td>
<td>2.27</td>
</tr>
<tr>
<td><strong>3/31/2019</strong></td>
<td>2.51</td>
</tr>
<tr>
<td><strong>12/31/2018</strong></td>
<td>2.92</td>
</tr>
<tr>
<td><strong>MTD Change</strong></td>
<td>0.01</td>
</tr>
</tbody>
</table>

*Excess returns are the curve-adjusted excess return of a given index relative to a term structure-matched position in Treasuries.

The views contained in this report are those of IR+M and are based on information obtained by IR+M from sources that are believed to be reliable. This report is for informational purposes only and is not intended to provide specific advice, recommendations, or projected returns for any particular IR+M product. No part of this material may be reproduced in any form, or referred to in any other publication, without express written permission from Income Research + Management. BLOOMBERG® is a trademark and service mark of Bloomberg Finance L.P. and its affiliates (collectively “Bloomberg”). BARCLAYS® is a trademark and service mark of Barclays Bank Plc (collectively with its affiliates, “Barclays”), used under license. Bloomberg or Bloomberg’s licensors, including Barclays, own all proprietary rights in the Bloomberg Barclays Indices. Neither Bloomberg nor Barclays approves or endorses this material, or guarantees the accuracy or completeness of any information herein, or makes any warranty, express or implied, as to the results to be obtained therefrom and, to the maximum extent allowed by law, neither shall have any liability or responsibility for injury or damages arising in connection therewith.