• Treasury yields finished slightly lower month-to-date, after an initial spike higher was offset by investor concern over the potential breakdown in US-China trade talks
  • The 10-year Treasury traded in a 10bps range, and ultimately decreased 2bps, ending the week at 2.48% - the lowest level since March
  • Federal Reserve Chairman comments that weaker inflation appeared to be “transitory” lowered investor expectations of a future rate cut
  • The probability of a cut in 2019 initially declined to 50%, then reversed to close at 59%
• Investment-grade corporate bond supply picked up, as issuers priced more than $45 billion, week-to-date, and outpaced expectations of $35-40 billion
  • The year’s two largest deals priced this week, as IBM and Bristol-Meyers issued $20 billion and $19 billion, respectively, to fund previously announced acquisitions
• Heavy supply, combined with a risk-off tone, weighed on corporate spreads, which moved wider by 3bps, and closed at 114bps
• The high-yield market had its largest day of issuance in three months, as borrowers priced more than $5 billion; spreads widened by 9bps to close at 367bps
• Securitized sectors outperformed corporates, as investor demand for high-quality assets increased amid a rise in volatility
• Muni/Treasury ratios continued to decline, with the 10-year ratio setting an all-time low of 72.1%, as municipals outperformed Treasuries across the curve

Sources: Bloomberg Barclays, Bloomberg, Bloomberg Index Services Limited 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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