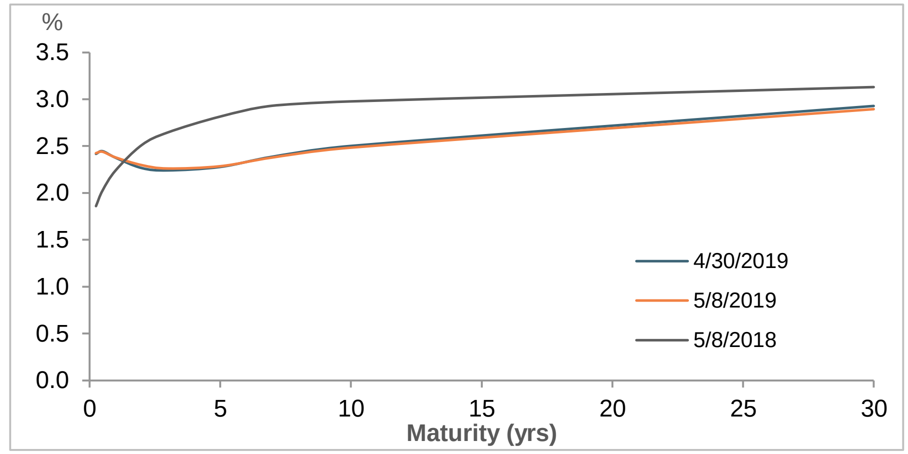
INCOME RESEARCH + MANAGEMENT

IR+M CLIENT UPDATE

May 1 – May 9, 2019

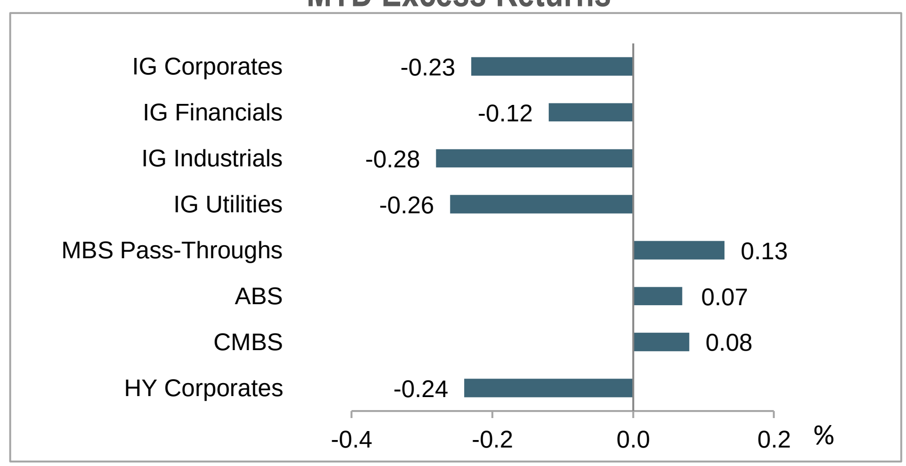
- Treasury yields finished slightly lower month-to-date, after an initial spike higher was offset by investor concern over the potential breakdown in US-China trade talks
    - The 10-year Treasury traded in a 10bps range, and ultimately decreased 2bps, ending the week at 2.48% - the lowest level since 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

Treasury Yield Curve



Maturity	2-year	5-year	10-year	30-year
5/8/2019	2.30	2.29	2.48	2.89
MTD Change	0.03	0.01	-0.02	-0.04

MTD Excess Returns



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.

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.

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