Weaker market sentiment pushed Treasury yields lower across the curve, as softer global data and continued trade talks caused investors to move away from riskier assets.

- Global growth was questioned due to reports of slowing industrial production in both the US and China during the month of April, possibly a result of trade tensions between countries.
- The Treasury curve steepened and the difference between the 2- and 10-year Treasury yield reached 20bps, almost twice as steep as it had been in December 2018.
- Foreign demand for US Treasuries continues to be strong and the $6.5 trillion held overseas is the highest level on record.
- Investment-grade supply totaled over $29 billion for the week, just within estimates of $25-30 billion.
- Floating rate note issuance picked up and totaled $9 billion across five issuers; this week’s supply accounted for over 30% of the floating rate bond year-to-date total.
- The risk-off tone caused investment-grade corporate spreads to drift 4bps wider to 118bps - 9bps off of the year-to-date tights of 109bps.
- Equity market weakness spilled over to the high-yield corporate market and spreads widened by 34bps week-over-week, to close at 401bps.
- Mortgage-backed securities (MBS) underperformed other securitized bonds, as the increase in interest rate volatility weighed on the sector.
- Municipals underperformed Treasuries week-over-week, however, net supply is expected to be -$17 billion over the next 30 days, providing a strong tailwind for the sector.

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.