• The Federal Reserve (Fed) held rates steady, as expected, and reiterated its view that recent soft inflation data is likely ‘transitory’
  • Treasury yields fell following the release of the minutes, and hit a new one-year low on the 23rd
  • Fed officials also signaled they would likely leave rates unchanged for the remainder of the year; however, the market-implied probability of a rate cut by year-end is currently 78%
• The cautious macroeconomic tone continued to drive market sentiment, and concerns over US-China trade talks lingered, which pushed corporate spreads 1bp wider to 119bps
• Investment-grade corporate supply was light ahead of the holiday weekend and totaled $14 billion, below expectations of $15-20 billion
  • Demand for newly-issued bonds was solid, with concessions averaging in the low single digits, and deals were roughly 3 times over-subscribed
• High-yield corporate issuers have been active, and supply reached the highest monthly total since March 2018, as issuers priced $25 billion month-to-date
  • Investors easily digested the heavy supply and high-yield spreads tightened 13bps to close at 388bps
• Commercial mortgage-backed securities (CMBS) outperformed Treasuries, and spreads remained unchanged week-over-week at 65bps
• Municipals underperformed Treasuries and muni/Treasury ratios rose; the 10-year muni/Treasury ratio increased to 73%, above the lowest level on record of 72%

Sources: Bloomberg Barclays, Bloomberg, and Bloomberg Index Services
Excess returns are the curve-adjusted excess return of a given index relative to a term structure-matched position in Treasuries.