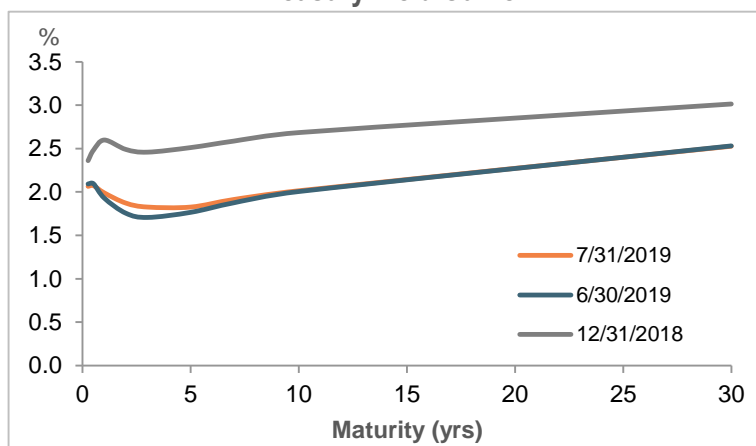


MARKET NEWS

- Solid demand for risk pushed the S&P 500 index to a new all-time high, as an accommodative stance from central banks, both domestically and abroad, supported markets
- The Federal Reserve (Fed) cut rates by 25bps for the first time in a decade – as expected – and will immediately stop quantitative tightening, two months short of schedule
 - Treasury and mortgage-backed securities (MBS) held on the Fed’s balance sheet will be reinvested upon maturity, rather than being allowed to roll off
 - Following the meeting, comments from Powell were interpreted as hawkish and the probability of at least two additional cuts by year-end fell below 43%
- Front-end Treasury yields increased, and the curve flattened, as investors priced in the lower likelihood of a 50bp cut at the July meeting as the month progressed
- Investment-grade borrowers looked to get ahead of the FOMC meeting and issued almost \$90 billion in new supply, surpassing the high-end estimate of \$75 billion
 - Year-to-date supply of almost \$664 billion is 7% behind last year’s pace and the slowest pace since 2014
 - Issuance is expected to moderate next month to under \$75 billion, below the five-year average of \$81 billion in August
- An appetite for risk met heavy supply and corporate spreads tightened 8bps to 107bps, a new year-to-date tight, before closing the month at 108bps
 - California passed supportive wildfire legislation, which helped the Utility sector outperform other spread product
- High-yield corporates benefited from rising equity prices, and spreads tightened by 6bps, from 377bps to 371bps
- Securitized sectors outperformed Treasuries, specifically MBS, with the highest month of excess return in over four years
- Positive technicals helped Municipals, which outperformed Treasuries, and front-end muni/Treasury ratios fell sharply

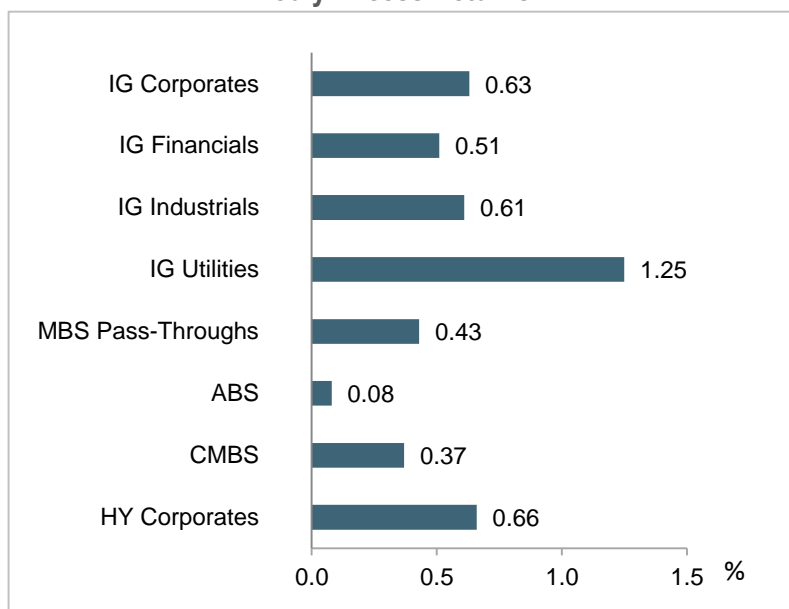
MARKET STATISTICS

Treasury Yield Curve



Maturity	2-year	5-year	10-year	30-year
7/31/2019	1.87	1.83	2.02	2.53
MTD Change	0.11	0.06	0.01	0.00

July Excess Returns*



As of: 7/31/19. Sources: Bloomberg, Bloomberg Barclays, 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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