Treasury yields fell week-over-week amid a cautious market tone, as geopolitical tensions persisted and mixed economic data was reported:

- The September payrolls figure of 136,000 missed expectations by 9,000; however, the August release was revised up by 38,000, and the unemployment rate fell to a 50-year low of 3.5%
- Risk assets fluctuated as varied messages on the state of US-China trade talks were released from the White House, fostering the rally in Treasuries
- Minutes released from September’s Federal Reserve (Fed) meeting showed increasing uneasiness in economic conditions abroad and a “softness in business investment and manufacturing” domestically
  - Fed officials were divided at the meeting, which ended in a 25bps Fed Funds rate cut; two of ten members voted for no cut, while a third voted for a 50bps rate cut
- Investment-grade borrowers priced $8.5 billion this week, below dealer estimates of $10 to $15 billion
- Multiple deals launched with little to no spread concession, as the appetite for US fixed-income remained strong; however, corporate spreads were wider by 1bp, closing at 120bps
- Month-to-date excess returns of high-yield corporates were increasingly negative at -0.87%, reacting to the volatility in equity markets
- Highlighted by Blackstone’s $5.6 billion securitization of industrial properties, heavy supply of commercial mortgage-backed securities (CMBS) weighed on the sector’s returns
- Municipals outperformed Treasuries, and the 10-year muni/Treasury ratio fell from a one-year high of 90% to close at 85%

Sources: Bloomberg Barclays, Bloomberg, and Bloomberg Index Services Limited

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.