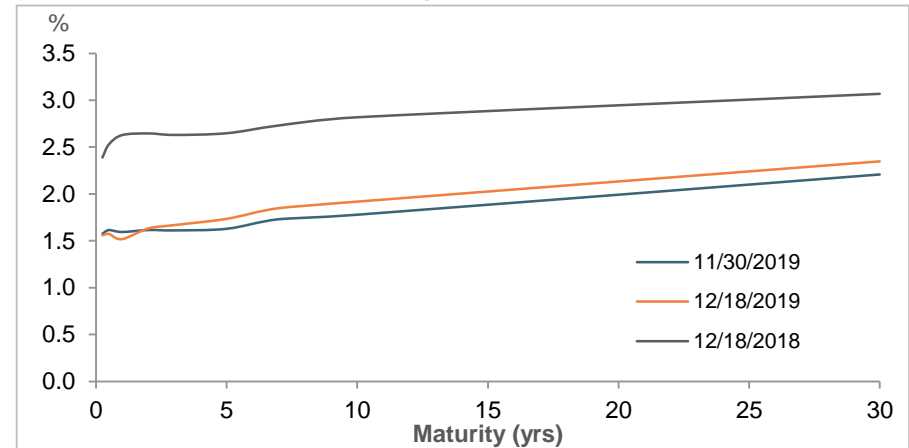




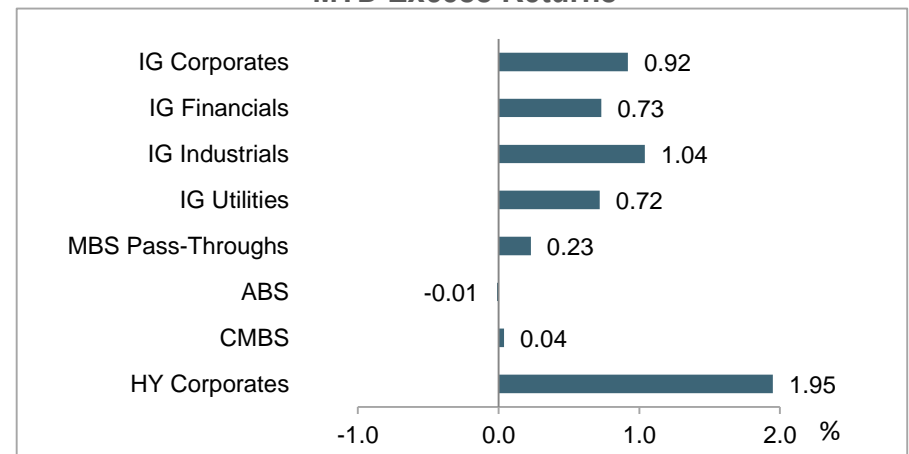
- Treasury yields rose over the week, and the curve steepened, as investor sentiment improved following positive news on two long-awaited trade agreements between the US and its global partners
 - The first phase of a trade deal between the US and China was announced on Friday, alleviating investors' concern that a continued dispute was weighing down economic growth
 - Existing tariffs on Chinese goods will decrease and additional tariffs that were set to begin imminently were suspended; China agreed to increase purchases in US agriculture, manufacturing, and energy sectors
 - The United States-Mexico-Canada Agreement (USMCA), likely to be passed by the House of Representatives on Thursday, is expected to protect \$1.4 trillion in annual trade and was also received favorably by the market
- With no supply this week, dealers have likely wrapped up primary issuance of investment-grade corporates until after the New Year
 - Year-to-date supply will end the year just over \$1.1 trillion, a 4% decrease from 2018
- Solid demand for risk-assets, combined with light supply, drove corporate spreads 6bps tighter to close at 96bps, the lowest level in over 20 months
- High-yield corporates extended month-to-date performance, posting an excess return of 1.95% on the heels of equity market strength
- Asset-backed securities (ABS) underperformed other sectors, as the higher-quality, shorter duration sector lagged the broad market amid a risk-on tone
- Municipals outperformed Treasuries over the week, and the 10-year muni/Treasury ratio fell by 4%, closing at 77%

Treasury Yield Curve



| Maturity | 2-year | 5-year | 10-year | 30-year |
|------------|--------|--------|---------|---------|
| 12/18/2019 | 1.63 | 1.73 | 1.92 | 2.35 |
| MTD Change | 0.02 | 0.10 | 0.14 | 0.14 |

MTD Excess Returns



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.