IR+M

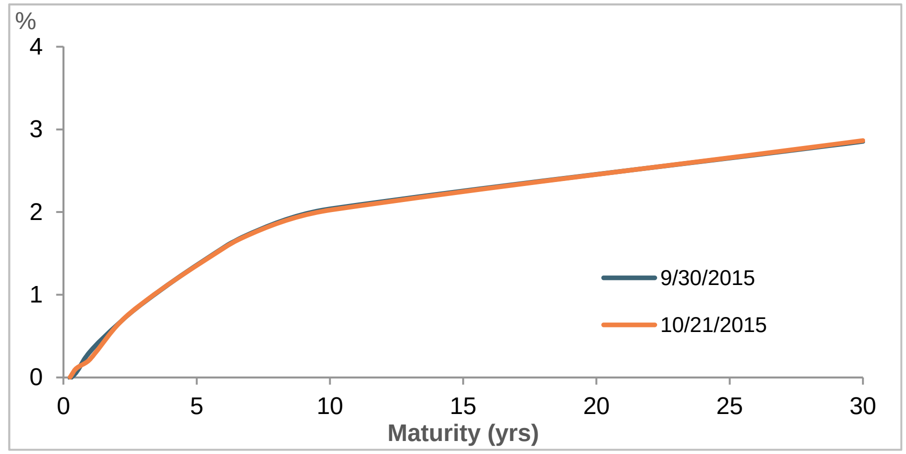
INCOME RESEARCH + MANAGEMENT

# IR+M CLIENT UPDATE

## October 16 – 22, 2015

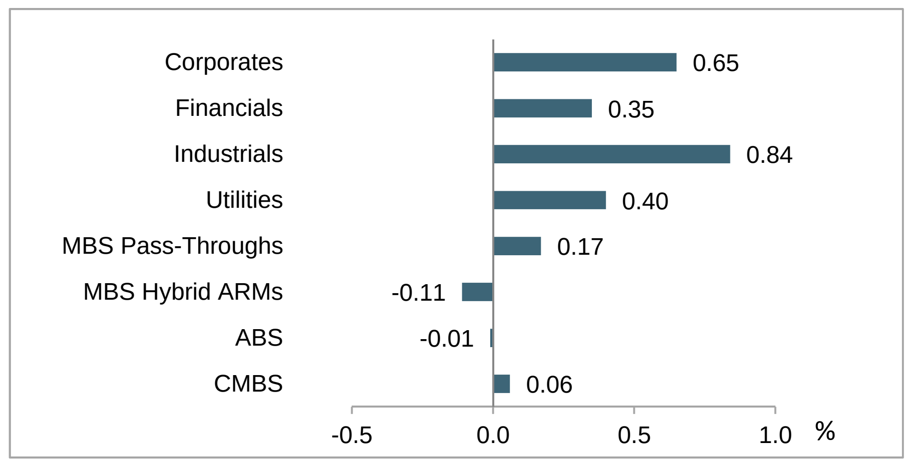
- Treasury rates increased across the curve week-over-week as investors turned away from safe haven assets in favor of riskier assets
    - Short- and intermediate-term yields rose meaningfully, as 2- and 10-year yields jumped 0.07% and 0.05%, respectively[1]
    - The S&P 500 Index returned 1.3% over the same period[1]
- Jobless claims for the prior week came in at 259,000, in-line with expectations, suggesting continued strength in the US labor market[3]
- September existing home sales increased by 4.7% month-over-month, driven by higher single-family home purchases[3]
- Corporate spreads tightened by 3bps, as month-to-date primary market activity remained well below the monthly average for 2015[3]
    - $52 billion in corporate new issue has come to market so far in October, compared with a monthly average of $101 billion[2]
    - Corporates outperformed Treasuries meaningfully across all sectors, as secondary market volume was driven higher as a result of the drop in issuance
- Agency-mortgage backed securities outperformed Treasuries as the expectations for a Federal Reserve (Fed) rate rise in December declined
- On Thursday, Moody's downgraded the State of Illinois' GO bonds from A3 to Baa1 and maintained their negative outlook[1]
    - The downgrade was largely driven by a budget stalemate that has been ongoing since July 1st of this year

### Treasury Yield Curve[1]




| Maturity | 2-year | 5-year | 10-year | 30-year |
|---|---|---|---|---|
| *10/21/2015* | 0.62 | 1.35 | 2.02 | 2.86 |
| *MTD Change* | -0.01 | -0.01 | -0.02 | 0.01 |

### MTD Excess Returns[3*]




Sources: 1. Bloomberg 2. JPMorgan 3. Barclays

*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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