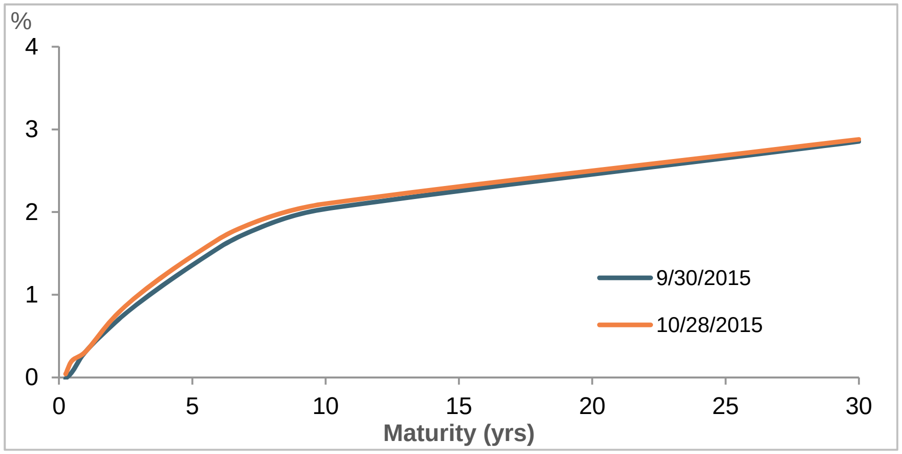
IR+M CLIENT UPDATE
October 23 – 29, 2015

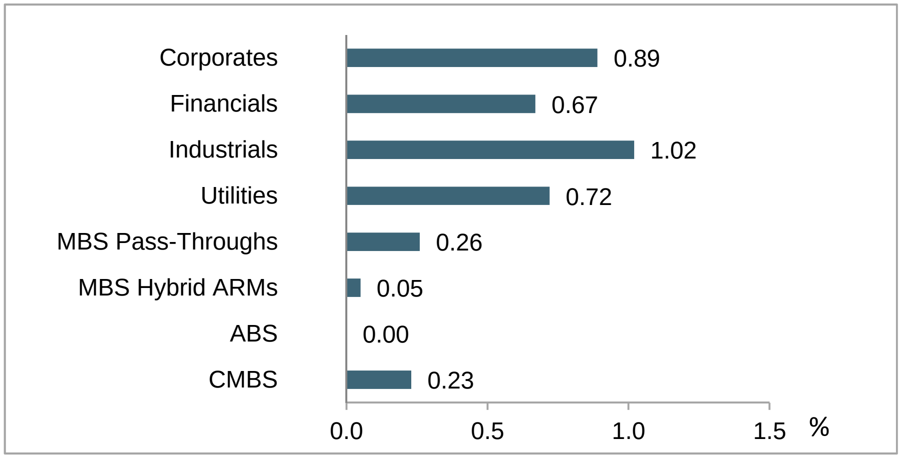
- After trending lower for most of the month, Treasury rates reversed course following the release of Wednesday's Federal Open Market Committee (FOMC) statement
  - The Federal Reserve opened the door to the possibility of raising rates at the December meeting, and the Treasury market reacted negatively to the hawkish tone
  - The 10-year rate increased 6bps to 2.10% following the release[1]
- The US Gross Domestic Product (GDP) report revealed that the economy grew 1.5% in the third quarter, following nearly 4% growth during the previous three months[1]
  - Despite a slowdown in the headline number, the full report indicated that domestic consumer and business spending remained strong, while the weak global economy hurt exports
- Corporate issuance totaled less than $80 billion month-to-date as earnings blackout periods and uncertainty surrounding the Fed meeting left issuers on the sidelines[2]
  - Average monthly supply has totaled over $100 billion in 2015, and annual issuance will surpass $1 trillion in November
- Investment-grade spreads tightened 10bps month-to-date to 159bps as slower new-issue supply bid up bonds in the secondary market[3]
- Agency mortgage-backed securities outperformed Treasuries month-to-date given lower volatility and range-bound interest rates
- Municipal bonds benefited from a strong technical bid, with few sellers in the market to meet strong demand – the Municipal/Treasury ratio dropped 7% since mid-October to 98%[1]

Treasury Yield Curve[1]



Maturity	2-year	5-year	10-year	30-year
10/28/2015	0.71	1.47	2.10	2.88
MTD Change	0.07	0.11	0.06	0.02

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.