

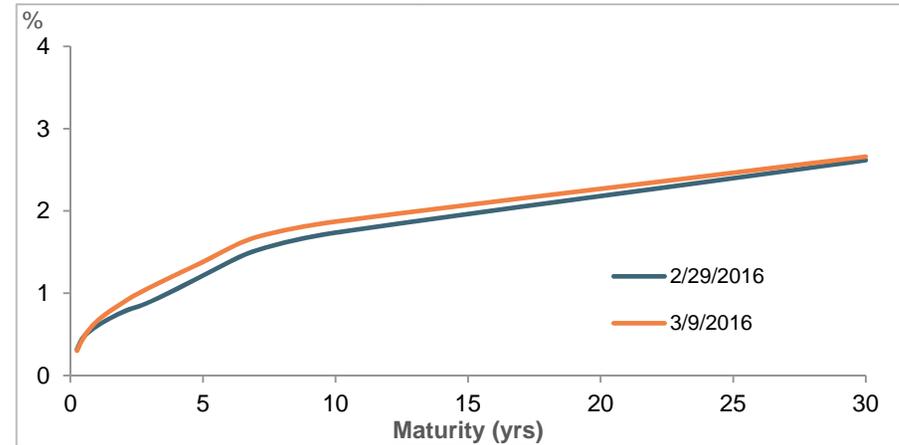


IR+M CLIENT UPDATE

March 4 – 10, 2016

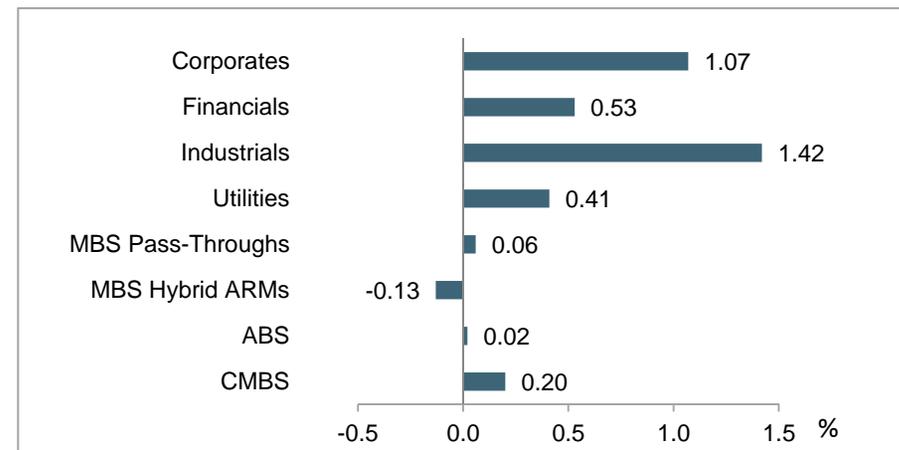
- In response to weakness in the global financial markets, the European Central Bank (ECB) expanded accommodative monetary policy to further support the European economy¹
 - The decision involves lowering of key interest rates and the decision to increase their bond buying program in an attempt to reinvigorate economic growth
- Non-farm payrolls for February rose 242,000, which was much stronger than expected; however, many market participants pointed out that average hourly earnings continued to lag all other employment statistics
- Month-to-date, Treasuries sold off especially in the belly of the curve as investors look to load risk back into their portfolios¹
- Year-to-date, corporate issuance topped \$270 billion, which is roughly 13% higher than this time last year³
 - Many issuers are seeking to lock in low borrowing rates with over 40% of debt maturing in 10 years or longer
 - Financial companies led the way with more than \$112 billion in new issue supply
- Notably, Berkshire Hathaway came to market to help finance their recent acquisition of Precision Castparts Corp., an industrial goods and metal fabrication company¹
 - The deal signaled strength in the corporate market, generating over \$34 billion in interest for a \$9 billion offering
- Traditional mortgage-backed securities (MBS) fared quite well amongst the sell-off in rates, despite higher origination volumes and further flattening in the yield curve year-to-date
- S&P placed Pennsylvania's AA- general obligation rating on credit watch with negative implications, citing the nine-month standoff over their fiscal 2016 budget¹

Treasury Yield Curve¹



Maturity	2-year	5-year	10-year	30-year
3/9/2016	0.89	1.38	1.87	2.66
MTD Change	0.11	0.17	0.13	0.04

MTD Excess Returns^{2*}



Sources: 1. Bloomberg 2. Barclays 3. 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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