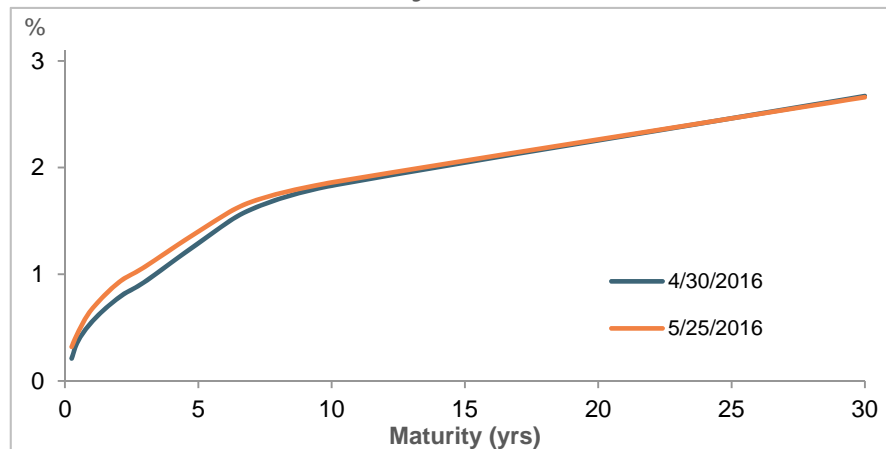




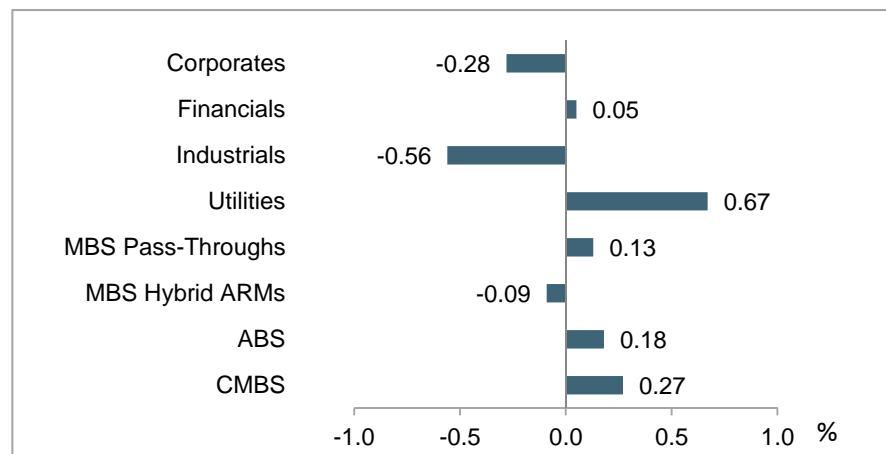
- Short-term Treasuries are at month-to-date highs after last week’s release of the Federal Reserve’s (Fed) April meeting minutes, which implied that a June rate hike is still on the table<sup>1</sup>
  - The market is pricing in a 30% probability that the Fed will hike interest rates in June and a 52% probability of a rate hike in July
- In the US, after three months of declining new home sales, April’s sales jumped by 16.6%, the largest month-over-month increase since 1992<sup>1</sup>
  - The demand for housing was propelled by an increase in jobs, rising wages, and low financing costs
- Corporate issuance surged in May exceeding \$145 billion month-to-date, the highest level in the past year<sup>2</sup>
  - Both Dell and Walgreens came to market with multi-billion dollar acquisition inspired debt offerings, where Dell looked to finance their acquisition of EMC and Walgreens looked to fund their purchase of Rite Aid
- Despite the strong uptick in supply, investment-grade corporate spreads showed resilience, widening only 4bps month-to-date<sup>3</sup>
- In the securitized market, total new issuance exceeded \$6.5 billion and all deals were 2-6x oversubscribed, with the majority of deals pricing 5-10bps wider than bonds trading in the secondary market<sup>1</sup>
- Congress continued to work on moving a bill forward that will create a debt restructuring process for Puerto Rico and would enable a federal oversight board to supervise the commonwealth’s financial stability
  - The bill will help Puerto Rico partner with their creditors to determine more feasible repayment terms

Treasury Yield Curve<sup>1</sup>



| Maturity   | 2-year | 5-year | 10-year | 30-year |
|------------|--------|--------|---------|---------|
| 5/25/2016  | 0.92   | 1.40   | 1.86    | 2.66    |
| MTD Change | 0.14   | 0.11   | 0.03    | -0.01   |

MTD Excess Returns<sup>3\*</sup>



Sources: 1. Bloomberg 2. J.P. Morgan 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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