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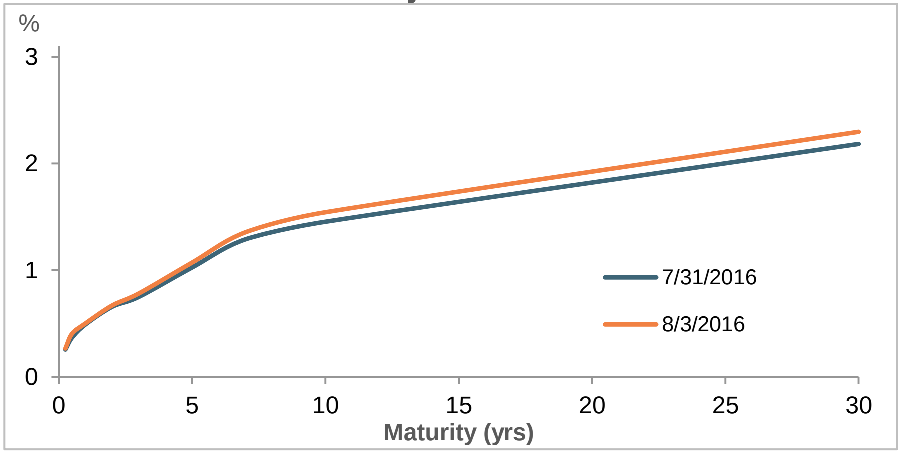
INCOME RESEARCH + MANAGEMENT

IR+M CLIENT UPDATE
August 1 – 4, 2016

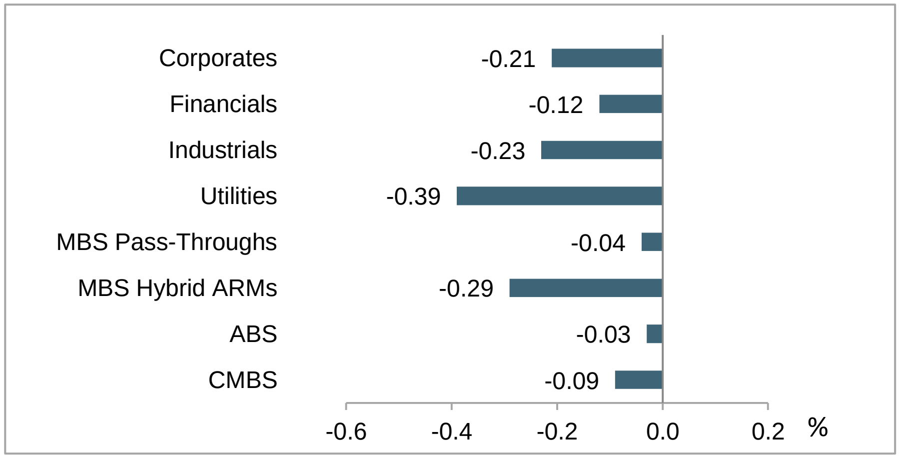
- Treasuries sold-off to start the month, predominantly in the intermediate- and long-end of the curve[1]
  - The 10-year Treasury rate rose 9bps to 1.54%, and the 30-year Treasury rate rose 11bps to 2.30%
- US economic data generally came in as expected – initial jobless claims were 269,000, suggesting a healthy and improving labor market[1]
  - Consensus for Friday's employment report is 180,000 jobs added in July, which is roughly in-line with the monthly average this year
- Corporate primary issuance surged with over $40 billion pricing this week, which was more than half of the estimated supply for the entire month[2]
  - Microsoft issued $20 billion to fund their acquisition of LinkedIn – the deal was well-telegraphed and received healthy interest
- Heavy supply, light secondary trading volumes, and equity market weakness drove investment-grade corporate spreads modestly wider month-to-date[3]
  - Negative sentiment resurfaced as oil prices fell and concerns about oversupply heightened
- Amid the sell-off in rates, the securitized market fared better than the credit market, as low global yields drove demand for the high-quality asset class
- In the municipal market, heavy supply was met with strong demand as inflows remained positive and muted secondary activity shifted the focus to new issuance[3]

Treasury Yield Curve[1]



Maturity	2-year	5-year	10-year	30-year
8/3/2016	0.67	1.07	1.54	2.30
MTD Change	0.01	0.05	0.09	0.11

MTD Excess Returns[3*]



Sources: 1. Bloomberg 2. Citigroup 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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