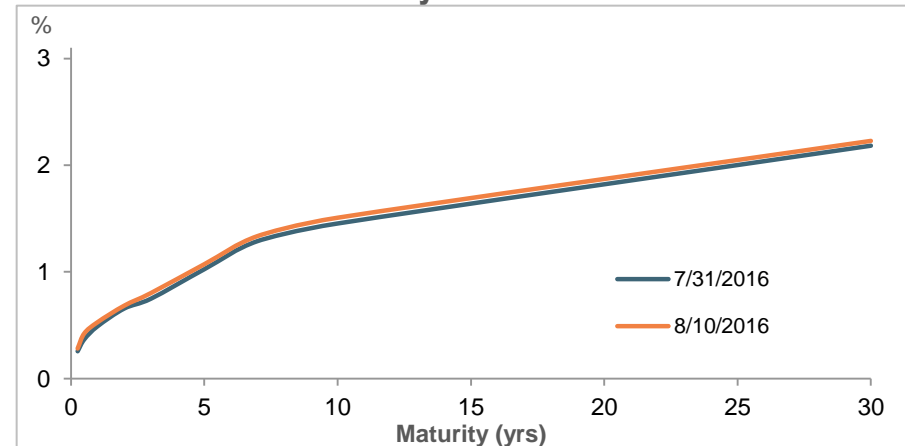




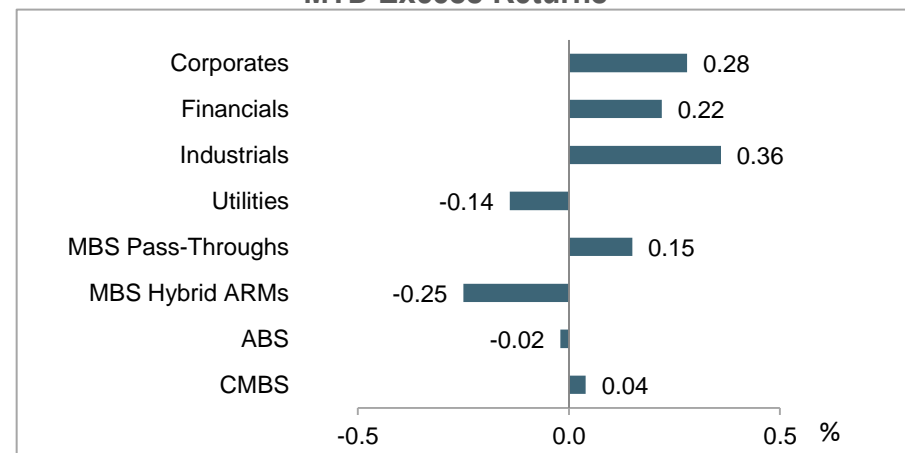
- The Treasury curve flattened on the week with the 2-year rising 2bps to 0.68% and the 30-year falling 7bps to 2.23%¹
- July's employment report surprised to the upside, with 255,000 jobs added versus expectations of 180,000 jobs¹
 - The market rallied following the news, with the S&P 500 gaining 1% on the day and reaching an all-time high
 - Investors are now pricing a 40% chance of the Federal Reserve (Fed) raising rates by the end of the year
- Corporate primary issuance modestly exceeded estimates with almost \$30 billion pricing this week²
 - Low rates and sluggish organic growth encouraged more shareholder-friendly activity – Duke Energy issued \$3.75 billion to fund their acquisition of Piedmont Natural Gas
- The recent oil price rally, coupled with the strong payroll number, drove solid performance in the corporate market
 - Investment-grade corporate spreads closed 4bps tighter on the month to 142bps³
- Commercial mortgage backed securities (CMBS) outperformed Treasuries month-to-date, driven by an improving real estate market and healthy US economic data
 - Despite tighter spreads, demand was substantial, as high-quality alternatives for yield-driven buyers are limited
- Last Friday marked the 44th consecutive week of inflows to municipal funds, and the market is on track to have its second consecutive month of net negative supply – a strong technical supporting the sector³

Treasury Yield Curve¹



Maturity	2-year	5-year	10-year	30-year
8/10/2016	0.68	1.07	1.51	2.23
MTD Change	0.03	0.05	0.05	0.05

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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