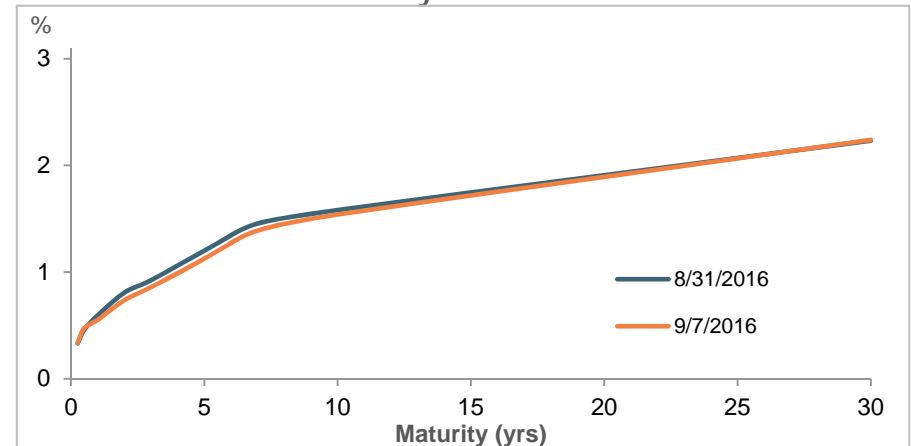




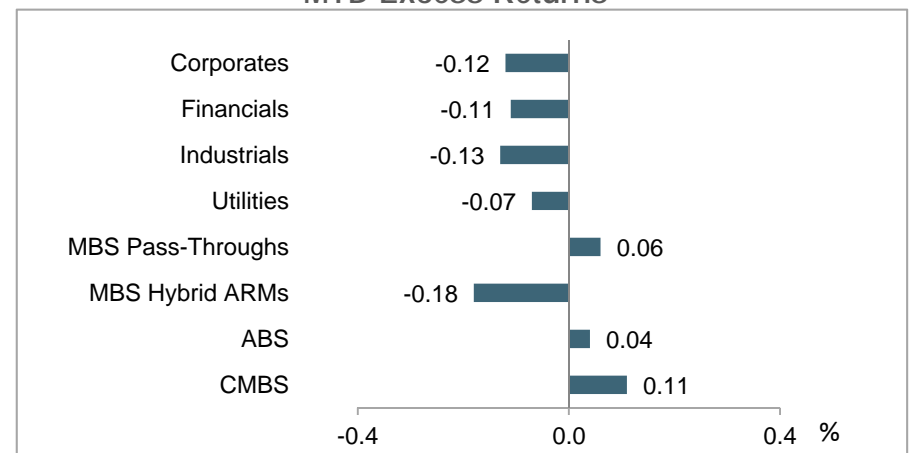
- The Treasury curve steepened month-to-date, with a more pronounced fall in short rates
 - The 5-year Treasury rate dropped 0.08% to 1.12%¹
- Last Friday's jobs report revealed the US economy added 151,000 jobs in August, and the unemployment rate held steady at 4.9%¹
 - After a worrisome print of 11,000 in May, August marked the third consecutive month of solid payroll data, which suggests positive momentum in the labor market
- Given strong US data, a rate hike from the Federal Reserve remains on the table before year-end, with an over 50% market-implied probability of a hike at the December meeting¹
- Corporate supply surged in the first week of September as we exited the quieter summer months, with over \$20 billion pricing month-to-date²
- Investment-grade corporate spreads weakened modestly amid the rush of issuance, with overall levels widening 2bps to 137bps³
- In the mortgage market, prepayments ticked up as many borrowers used the post-Brexit rate rally as an opportunity to refinance
 - The 30-year fixed-rate mortgage averaged 3.40% in August, down from a high of 3.90% at the beginning of 2016¹
- Year-to-date securitized issuance has totaled \$232 billion, trending 28% below last year's pace – the market has benefitted from slower issuance but expectations call for greater supply this month¹
- Municipals cheapened versus US Treasuries to start the month, with the 10-year municipal/Treasury ratio increasing 4% to 95%¹

Treasury Yield Curve¹



Maturity	2-year	5-year	10-year	30-year
9/7/2016	0.74	1.12	1.54	2.24
MTD Change	-0.07	-0.08	-0.04	0.01

MTD Excess Returns^{3*}



Sources: 1. Bloomberg 2. JP 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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