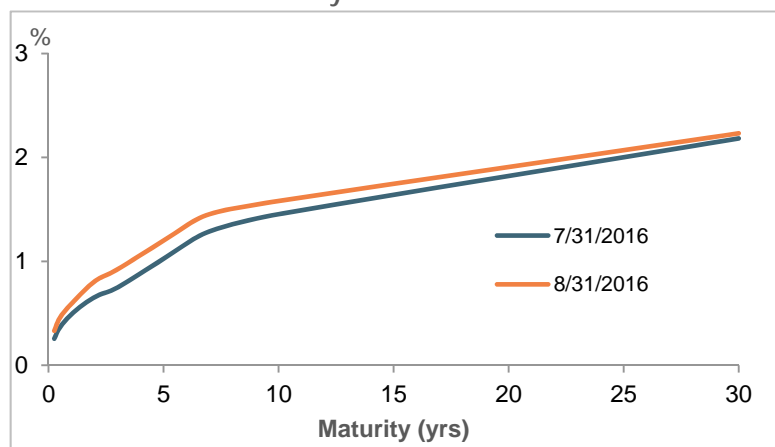


MARKET NEWS

- Treasury rates rose across the curve, particularly in short and intermediate maturities, with the 2-year rising 15bps to 0.81% and the 10-year rising 13bps to 1.58%¹
- At the annual Jackson Hole Economic Symposium, Janet Yellen's comments didn't explicitly hint at the timing for the next rate hike but touched on the recent strength of US data, an important input into the Federal Reserve's (Fed's) policymaking framework
 - The market is currently pricing in a 32% chance for a rate hike in September, a 14% jump month-over-month¹
- Investment-grade corporate supply totaled \$110 billion, marking the heaviest August in over a decade by almost \$30 billion²
 - U.S. companies continue to take advantage of the low rate environment with year-to-date supply around \$856 billion, which outpaces last year's record issuance by 5%
- Despite heavy issuance, muted overall market volatility and a strong rebound in oil prices drove a gradual tightening of investment-grade corporate spreads over the month
 - Corporate spreads tightened 11bps to close August at 135bps, the lowest level year-to-date³
- The securitized market generally outperformed Treasuries, as the quiet new issue market drove a positive technical environment for mortgage securities
- The Federal Housing Finance Agency (FHFA) announced an extension of the HARP refinancing program through September 2017, allowing homeowners with high loan-to-value (LTV) mortgages to take advantage of current low borrowing rates¹
 - Over three million homeowners have refinanced through HARP since its inception, and the FHFA estimates there are about 300,000 mortgages that remain eligible for the program
- In the municipal market, primary activity was busier than anticipated with approximately \$40 billion in new supply pricing during the month¹
 - Analysts expect heavy issuance to continue as municipalities address overdue maintenance and capital projects

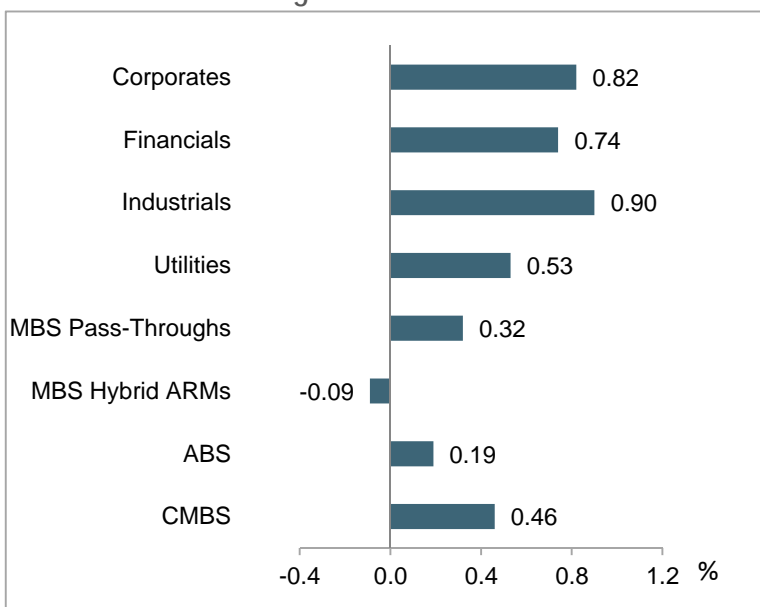
MARKET STATISTICS

Treasury Yield Curve¹



Maturity	2-year	5-year	10-year	30-year
8/31/2016	0.81	1.20	1.58	2.23
MTD Change	0.15	0.17	0.13	0.05

August Excess Returns^{3*}



As Of: 8/31/16. 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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