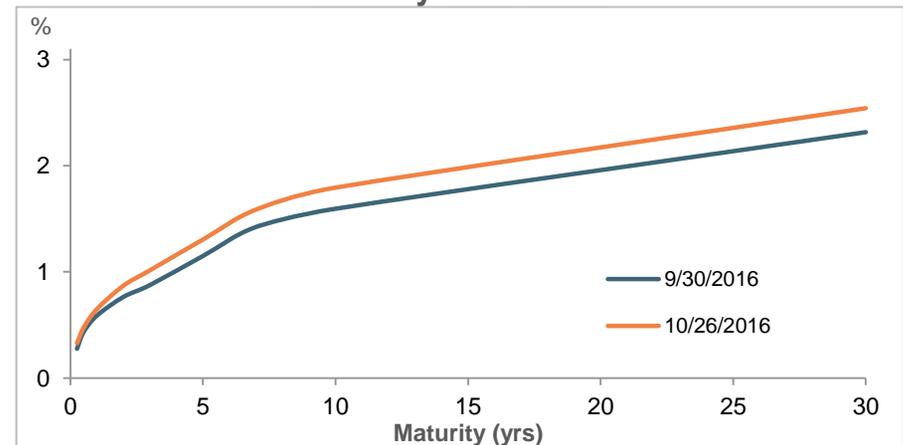




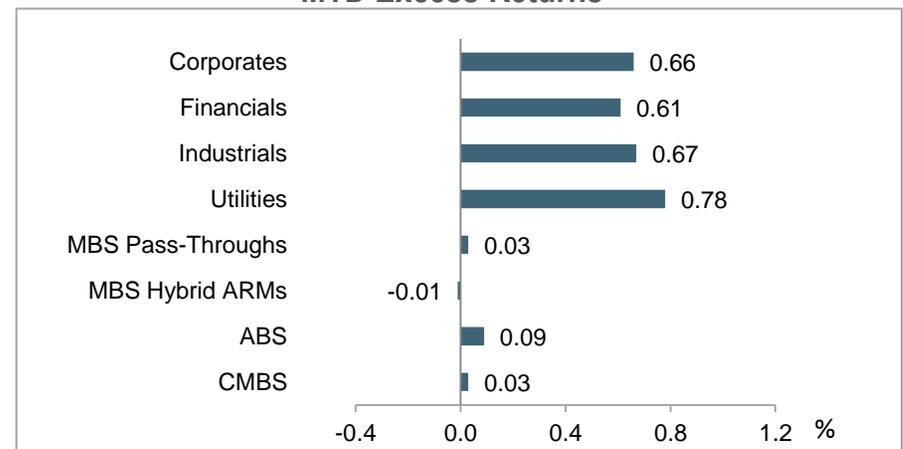
- Increased inventories and healthy labor conditions boosted third quarter US GDP estimates to 3%, suggesting the economy is improving¹
 - Positive overall sentiment reinforced investor expectations for a rate hike at the Federal Reserve's (Fed) December meeting – the market is currently pricing in a 73% likelihood
- Treasury yields moved higher across the curve, following strong US economic releases¹
 - Month-to-date, the 10-year rose 20bps to 1.79%, and the 30-year rose 23bps to 2.54%¹
- Third quarter earnings results have been mixed, with about 50% of companies reporting both revenue and earnings beats¹
 - Some disappointing earnings releases in addition to a drop in oil prices drove investment-grade corporate spreads modestly wider
- In the investment-grade corporate market, issuers priced roughly \$30 billion, following the pre-earnings blackout period²
 - This was the heaviest week of supply in October, pushing month-to-date issuance over \$80 billion
- Low volatility and strong housing fundamentals supported the agency mortgage-backed securitized market, which performed in-line with Treasuries¹
- In the municipal market, new supply once again dominated headlines with another \$15 billion set to price by the end of the week¹
 - For the first time in over a year, flows dropped into negative territory, which may pressure technicals going forward, especially if the heavy issuance trend continues¹

Treasury Yield Curve¹



Maturity	2-year	5-year	10-year	30-year
10/26/2016	0.87	1.31	1.79	2.54
MTD Change	0.11	0.16	0.20	0.23

MTD Excess Returns^{1*}



Sources: 1. Bloomberg Barclays 2. Citigroup

*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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