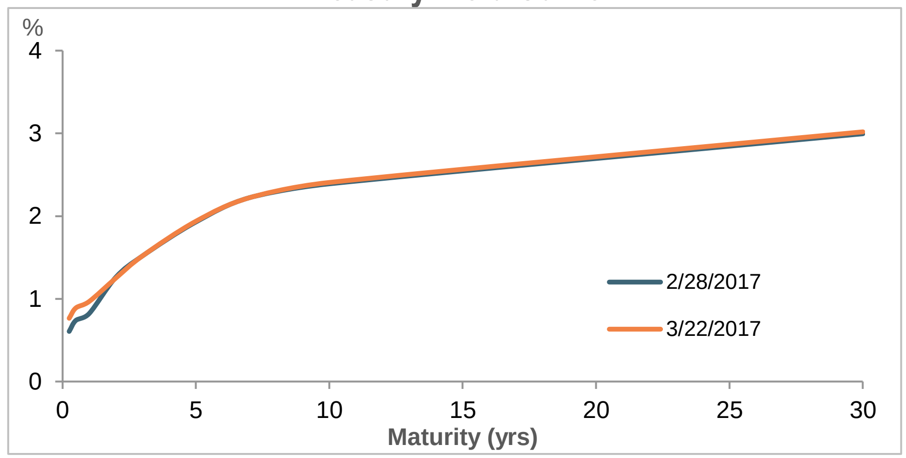
INCOME RESEARCH + MANAGEMENT

IR+M CLIENT UPDATE
March 17 – 23, 2017

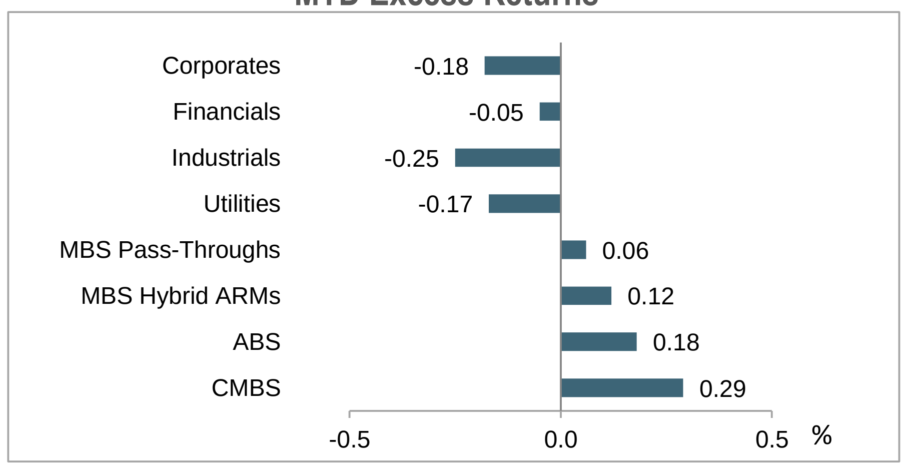
- Initial jobless claims rose by 15,000 to 258,000, exceeding expectations by 18,000[1]
    - Despite the higher number, claims have trended at healthy levels for 80 consecutive weeks, indicating a strong and improving labor market
- Treasury rates rallied across the curve this week amid heightened political uncertainty regarding healthcare and tax reform[1]
    - The 10-year Treasury yield fell 22bps since touching the month-to-date high of 2.63% at the beginning of last week, ahead of the Federal Reserve's rate hike meeting
- A weaker market tone drove moderate investment-grade issuance with $17 billion pricing, a considerably lower amount compared to this month's weekly average of around $35 billion[2]
    - Despite the recent slowdown in supply, year-to-date issuance stands at $363 billion, which is 13% ahead of last year's pace
- Equity market volatility and low oil prices weighed on corporates, but demand only weakened modestly, mitigating some spread widening[1]
    - Corporate spreads traded sideways and closed at 118bps – 2bps wider month-to-date
- The Treasury rally and general risk-off tone benefitted the high-quality securitized market, which generated positive month-to-date excess returns across all sectors[1]
- Muted municipal bond supply supported market technicals, and the 5-year municipal/Treasury ratio stabilized around 85% following a sharp increase last week after the Fed hiked rates[1]

Treasury Yield Curve[1]



Maturity	2-year	5-year	10-year	30-year
3/22/2017	1.25	1.94	2.41	3.02
MTD Change	-0.01	0.01	0.02	0.02

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.