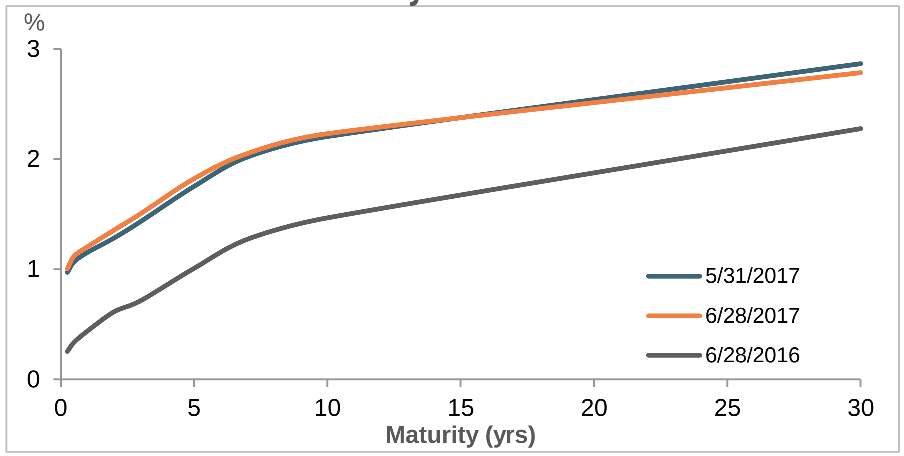
# IR+M CLIENT UPDATE
## June 23 – June 29, 2017

INCOME RESEARCH + MANAGEMENT

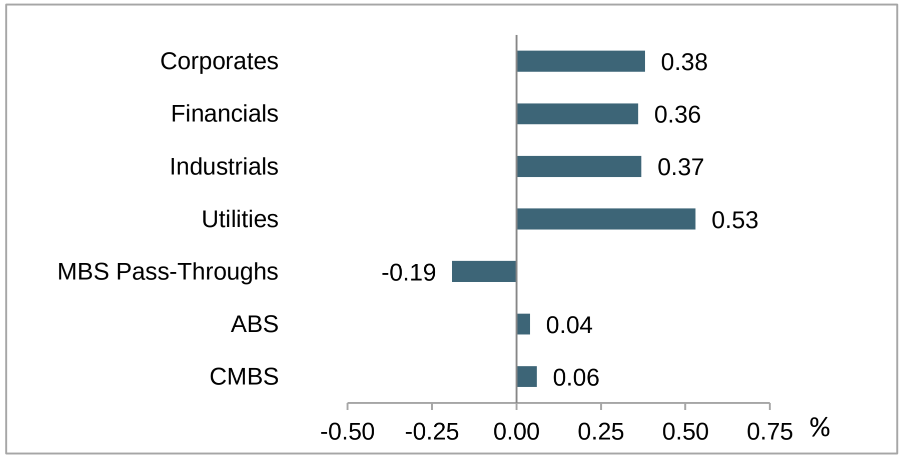
- The final estimate for first quarter US GDP was revised up 0.2% to 1.4%, driven by stronger consumer spending than initially estimated[1]
- Treasury yields rose modestly across the curve this week with the 2-year and 10-year yields increasing 1bp and 7bps, respectively[1]
    - Global yields jumped following comments from Mario Draghi of the European Central Bank (ECB) that suggested the ECB may begin tapering its bond purchases in the near-term
- Strong technicals supported investment grade corporate bond spreads, which tightened 2bps to 110bps, the tightest level since 2014[1]
- Corporate bond supply moderated this week, as expected, with investment grade issuers pricing approximately $11 billion[2]
    - Year-to-date issuance is roughly $675 billion, which is 7% ahead of last year's pace
- All 34 major banks passed their annual stress tests for the first time since the financial crisis, and the Federal Reserve subsequently approved their capital plans[1]
- Oil prices rose following larger than expected gasoline inventory drawdowns and closed at roughly $45 per barrel[1]
- Despite heavy issuance in the ABS market, the sector displayed resilience as heightened demand continues for high quality incremental spread in the low yield environment[1]
    - New supply totaled around $122 billion year-to-date, which is over 30% higher than issuance at this time last year
- S&P indicated that they will downgrade Illinois to high yield if a budget is not passed by the end of the week[1]
    - Moody's and Fitch did not explicitly outline ratings expectations given the political uncertainty surrounding the budget impasse

### Treasury Yield Curve[1]




| Maturity | 2-year | 5-year | 10-year | 30-year |
|---|---|---|---|---|
| *6/28/2017* | 1.36 | 1.82 | 2.23 | 2.78 |
| *MTD Change* | 0.08 | 0.07 | 0.03 | -0.08 |

### 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.