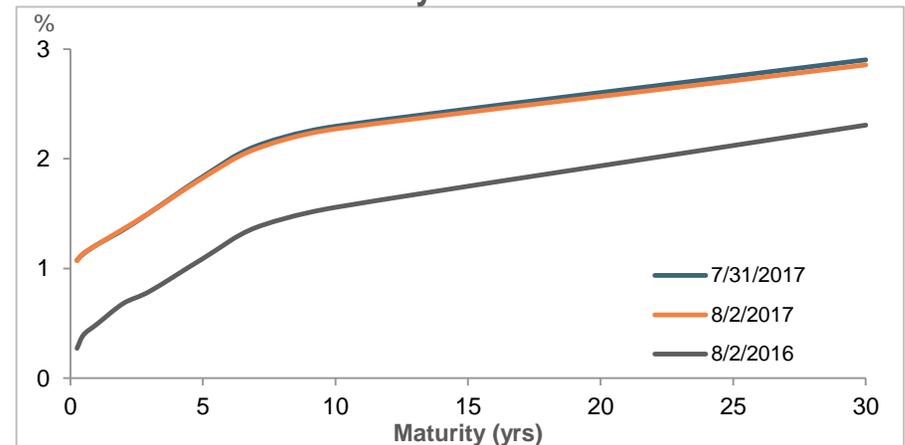




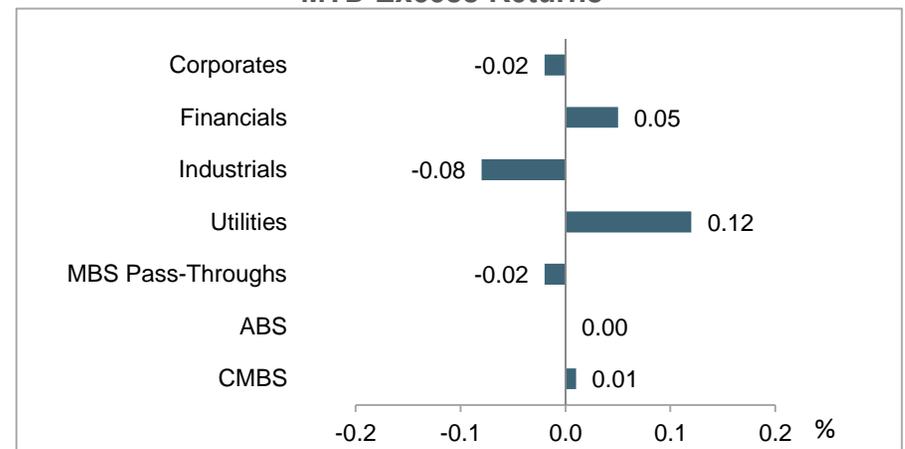
- The ADP employment report showed job growth of 178,000 in July, setting the stage for another decent month for non-farm payrolls, which will be released tomorrow and are expected to be about 180,000<sup>1</sup>
  - Jobless claims also came in below expectations, a positive sign for the labor market, and the headline unemployment rate is expected to fall 0.1% to 4.3%
- The Treasury curve flattened this week amid weak inflation expectations and less certainty regarding future rate hikes as long-term yields fell and short-term yields rose modestly<sup>1</sup>
  - The 30-year yield dropped 4bps to 2.86% in sympathy with a 4bps fall in the 10-year breakeven inflation rate
- Investment grade corporate issuance was steady this week, with supply around \$20 billion<sup>2</sup>
- Over 75% of investment grade issuers have reported generally strong second quarter earnings with bottom-line growth around 10%, above expectations of roughly 7%<sup>3</sup>
- Investment grade corporate spreads remain close to post-crisis tight<sup>1</sup>
  - Despite positive earnings releases and average supply, spreads closed 1bp wider month-to-date at 103bps amid heightened geopolitical uncertainty
  - Industrials underperformed other investment grade corporate sub-sectors month-to-date, with auto manufacturers lagging considerably following disappointing July auto sales
- Low rate volatility and a generally steady economic backdrop supported securitized sectors, which largely kept pace with Treasuries<sup>1</sup>
- Municipals underperformed Treasuries month-to-date, particularly longer maturities, which struggled to keep up with the rate rally<sup>1</sup>
  - The 30-year muni/Treasury ratio increased 1% to 96%

Treasury Yield Curve<sup>1</sup>



Maturity	2-year	5-year	10-year	30-year
8/2/2017	1.36	1.83	2.27	2.86
MTD Change	0.01	-0.01	-0.03	-0.04

MTD Excess Returns<sup>1\*</sup>



Sources: 1. Bloomberg Barclays 2. Citigroup 3. BofA Merrill Lynch Global Research and FactSet

\*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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