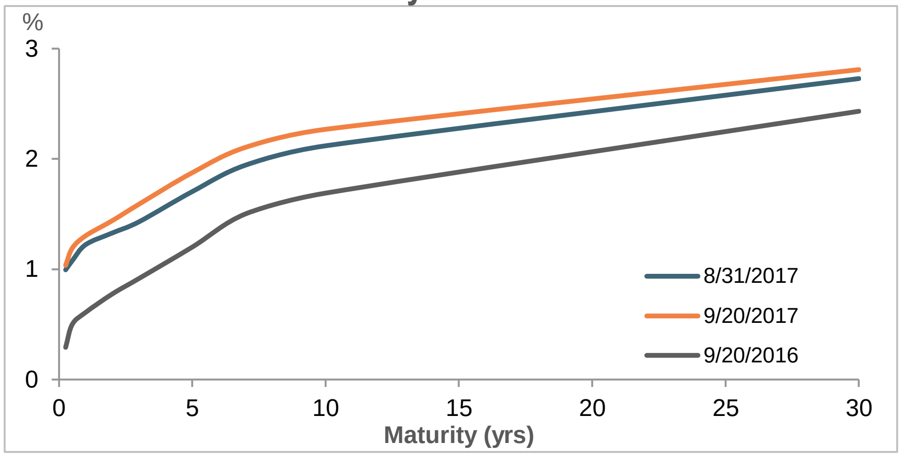
INCOME RESEARCH + MANAGEMENT

IR+M CLIENT UPDATE
September 15 – September 21, 2017

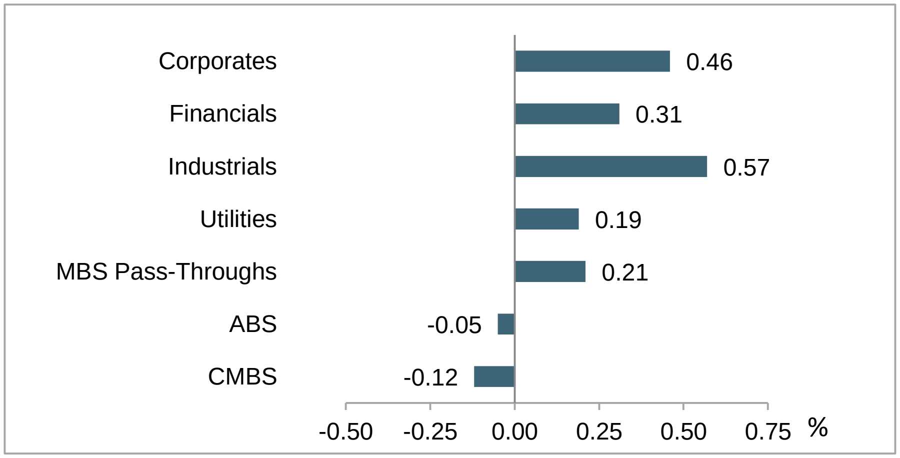
- The Federal Reserve (Fed) held rates steady and announced that it would begin its balance sheet reduction plan in October, as expected[1]
  - The Fed also indicated that it could raise rates again before year-end, a sign of optimism about the economy
  - Investors reacted by adjusting their expectations, and following the announcement, the implied probability of an additional rate hike this year jumped over 25% to 64%
- Treasury yields rose across the curve, with rate increases most notable in the short and intermediate parts of the curve[1]
  - The 2-year and 10-year yields increased 9bps and 8bps, respectively, during the week
- After a couple weeks of heavy supply, investment grade corporate issuance slowed this week with roughly $13 billion pricing[2]
- Strong demand met light supply, and investment grade corporate spreads tightened 5bps to 106bps, 4bps off year-to-date tights[1]
  - High yield corporate spreads tightened 15bps during the week to close at 352bps, 8bps wide to year-to-date tights
- Mortgage-backed securities (MBS) performed well, as Hurricane Irma's damage was less severe than initially feared, and rising rates prevented a jump in prepayments[1]
  - Agency MBS Pass-Throughs outperformed Treasuries by 0.21% month-to-date
- Municipals modestly lagged Treasuries this week, as the 5-year muni/Treasury ratio increased 3% to close at 68%[1]

Treasury Yield Curve[1]



Maturity	2-year	5-year	10-year	30-year
9/20/2017	1.44	1.88	2.27	2.81
MTD Change	0.11	0.18	0.15	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.