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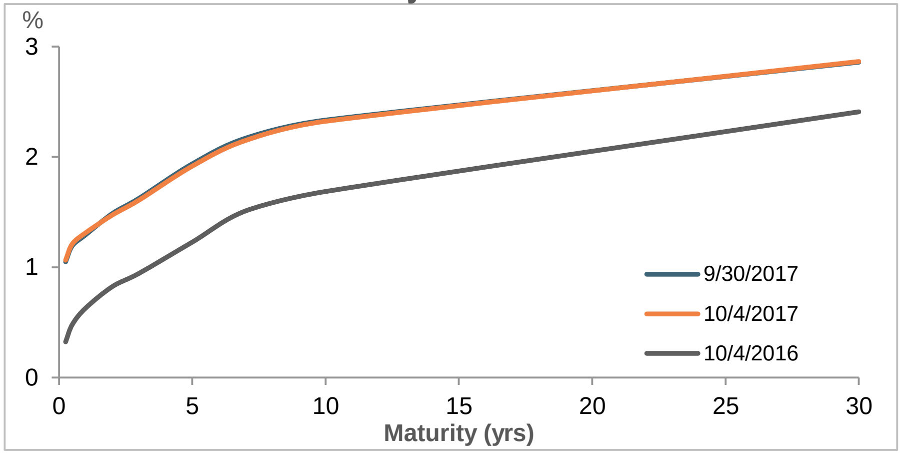
INCOME RESEARCH + MANAGEMENT

IR+M CLIENT UPDATE

October 1 – October 5, 2017

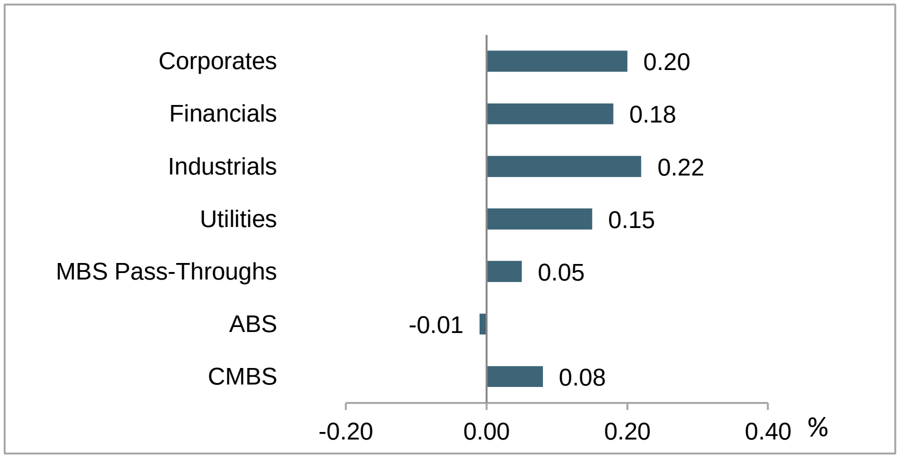
- The Treasury yield curve steepened modestly as short-end yields declined and long-end yields increased slightly[1]
    - The 2-year yield fell 2bps to 1.47% while the 30-year yield increased by 1bp to close at 2.87%
- Corporate supply was light, as investment grade issuers priced approximately $13 billion[2]
    - While supply was modest, it was enough to push the year-to-date total over $1 trillion, in line with last year's pace
- Demand for corporates has been robust, and investment grade spreads tightened 2bps to close at 99bps[1]
    - Spreads within the investment grade corporate market are 2bps off post-crisis tights
    - All corporate subsectors hit year-to-date tights this week while financials, specifically, reached post-crisis tights at 91bps
- September auto sales came in at roughly 18.5 million, well above expectations for 17.4 million[1]
    - Some of the strength could be attributed to replacement demand following Hurricane Harvey's severe flooding
- Despite the strength in auto sales, asset-backed securities (ABS) underperformed Treasuries month-to-date as the sector worked to digest heavy supply[1]
- Municipals performed roughly in line with Treasuries this week, and the 10-year muni/Treasury ratio was unchanged at 87%[1]

Treasury Yield Curve[1]



Maturity	2-year	5-year	10-year	30-year
10/4/2017	1.47	1.92	2.32	2.87
MTD Change	-0.02	-0.02	-0.01	0.01

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.

100 Federal Street, 30th Floor Boston, MA 02110 (617) 330-9333 www.incomeresearch.com