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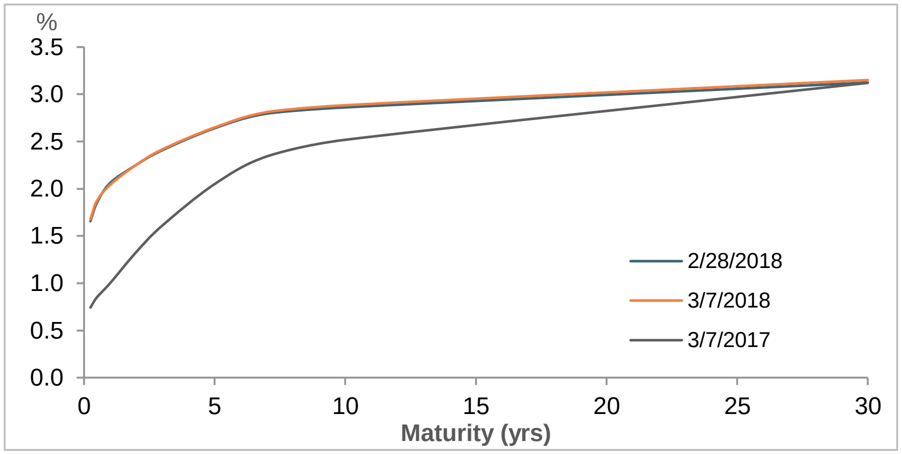
IR+M CLIENT UPDATE

March 1 – March 8, 2018

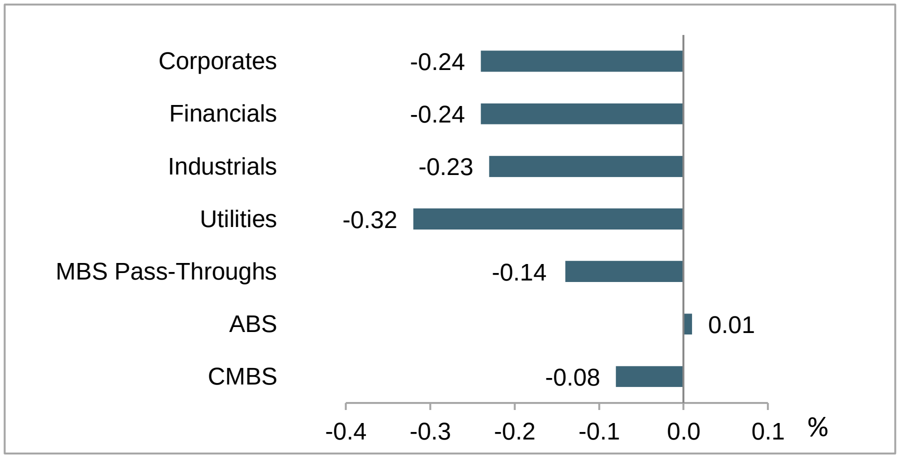
- President Trump proposed tariffs on imports of steel and aluminum, which led to investor concerns regarding potential market implications[1]
    - Gary Cohn, Chief Economic Advisor, was opposed to tariffs, and resigned following the announcement
    - Fears of possible retaliation from trade partners led to modest equity market weakness and credit spread widening
- The Treasury curve steepened slightly as long-term yields rose and short-term yields held steady[1]
    - The 30-year yield increased 2bps to 3.15% while the 2-year yield closed unchanged at 2.25%
- Investment-grade supply was robust on a headline basis at over $50 billion, but the majority can be attributed to the CVS deal on Tuesday[2]
    - CVS priced $40 billion across 9 tranches, which will be used to fund its acquisition of Aetna
- Corporate spreads widened in response to heightened supply and discussions of potential trade wars, with investment-grade spreads widening 5bps to 100bps[1]
- Asset-backed securities (ABS) outperformed Treasuries, as an industry conference led to light supply, benefiting spreads[1]
- Lack of issuance supported municipals, which outperformed Treasuries, especially in the short and intermediate space[1]
    - The 2-year muni/Treasury ratio declined 1% to 69%

Treasury Yield Curve[1]



Maturity	2-year	5-year	10-year	30-year
3/7/2018	2.25	2.65	2.88	3.15
MTD Change	0.00	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.

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