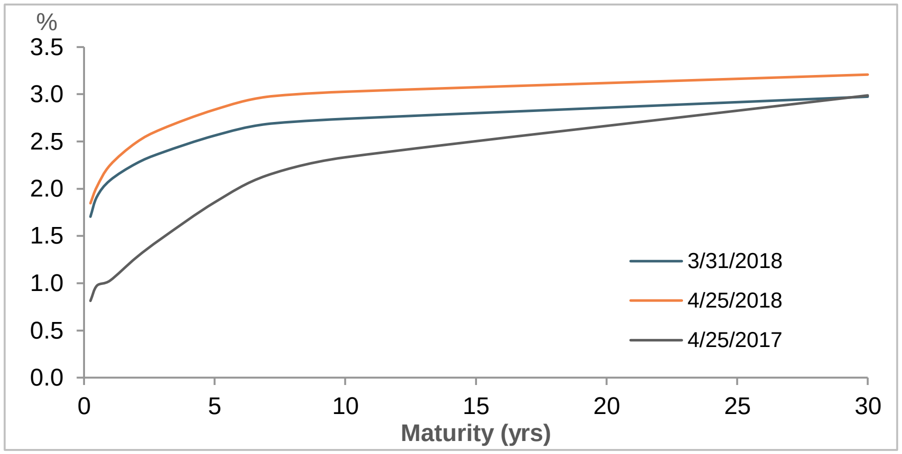
IR+M CLIENT UPDATE
April 20 – April 26, 2018

INCOME RESEARCH + MANAGEMENT

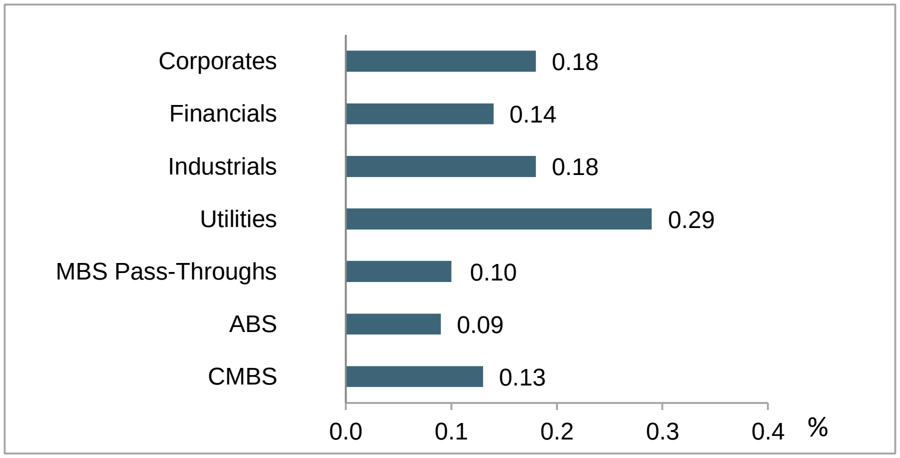
- Treasury yields rose this week as the curve steepened, and the 10-year yield surpassed 3% for the first time since January 2014[1]
  - The 2-year yield increased 6bps during the week, and the 30-year yield jumped 15bps
- US initial jobless claims were well below expectations, falling to their lowest level since December 1969[1]
  - The decline was largely in response to a drop in New York initial claims
- Consumer confidence marched higher, despite equity market volatility and an exchange of tariffs between the US and China[1]
- Sales of new and existing US homes increased 4% and 1%, respectively, for the month of March[1]
- Supply was steady this week, as investment-grade corporate issuers priced approximately $18 billion[2]
- Investment-grade corporate spreads widened 2bps during the week to 107bps[1]
- High yield spreads, which have recently approached both year-to-date and post-crisis tights, widened 22bps to close at 336bps[1]
  - Fundamentals remain strong as earnings season accelerates
- Strong demand in the commercial mortgage-backed securities (CMBS) sector caused spreads to narrow 1bp to 65bps[1]
- Municipals performed in-line with Treasuries during the week, with yields on top-rated municipal bonds rising across the curve[1]
  - The 10-year municipal/Treasury ratio declined 1% week over week, and closed at 84%

Treasury Yield Curve[1]



Maturity	2-year	5-year	10-year	30-year
4/25/2018	2.49	2.84	3.03	3.21
MTD Change	0.22	0.28	0.29	0.24

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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