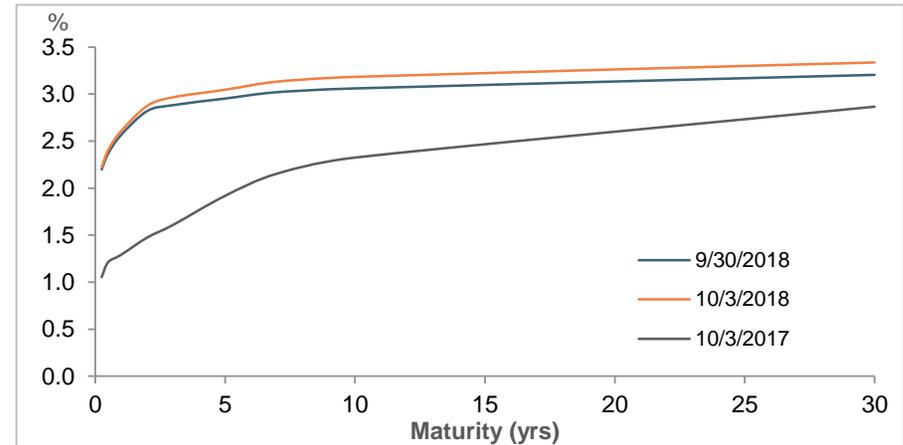




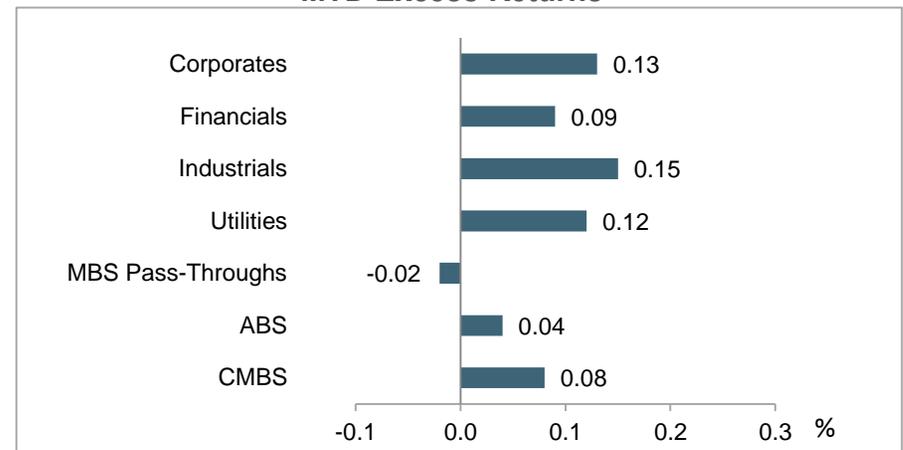
- Federal Reserve Chairman Powell made comments on Tuesday that the US economy is, “a long way from neutral”, suggesting that the Fed will continue to raise rates for the foreseeable future; the neutral rate is the point at which interest rates neither boost or slow the economy<sup>1</sup>
- September’s ADP employment report revealed that the US economy added 230,000 private-sector employees during the month, surpassing consensus estimates that called for 185,000 new jobs<sup>1</sup>
- Treasury yields rose, and the curve steepened, following the release of September’s ISM non-manufacturing index, which reached a post-crisis high, indicating that service industries are expanding<sup>1</sup>
  - Following Powell’s comments and the positive economic reports, the 10- and 30-year Treasury rates jumped to multi-year highs of 3.18% and 3.34%, respectively, and the 5-year yield surpassed 3% for the first time since 2008
- After a heavy calendar in September, the investment-grade corporate new issue market continued at a strong pace, totaling over \$42 billion month-to-date<sup>2</sup>
  - Comcast Corporation’s \$27 billion transaction, to help finance the acquisition of Sky Plc, was the second largest deal of 2018; the \$40 billion new issue that CVS brought to market earlier this year was the largest<sup>3</sup>
- Despite greater-than-expected supply, investment-grade corporate spreads benefited from strong demand and were unchanged month-to-date, closing at 105bps<sup>1</sup>
- Asset-backed securities (ABS) outperformed Treasuries as heightened demand from yield-driven investors supported the high-quality sector in the face of heavy supply<sup>1</sup>
- Municipals outperformed Treasuries during the week as light supply provided a positive technical backdrop<sup>1</sup>

### Treasury Yield Curve<sup>1</sup>



Maturity	2-year	5-year	10-year	30-year
10/3/2018	2.87	3.05	3.18	3.34
MTD Change	0.05	0.09	0.12	0.13

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



Source: 1. Bloomberg Barclays 2. Citigroup 3. Bloomberg

\*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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