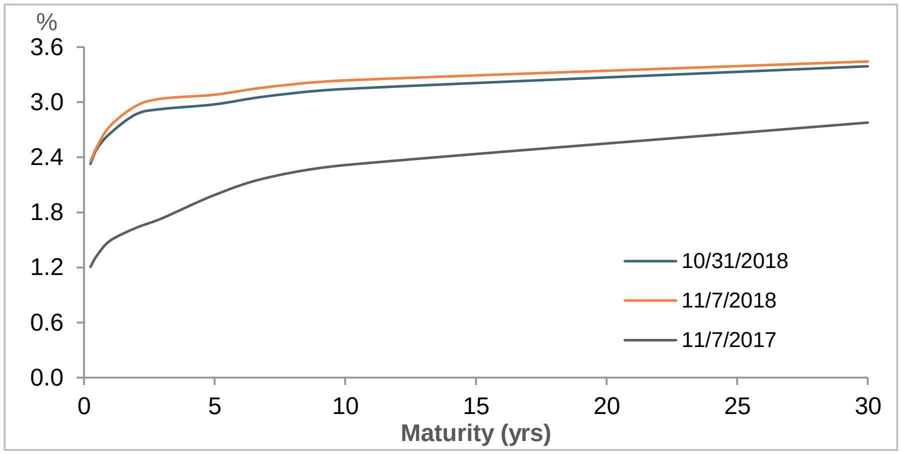
IR+M
INCOME RESEARCH + MANAGEMENT

IR+M CLIENT UPDATE
November 1 – November 8, 2018

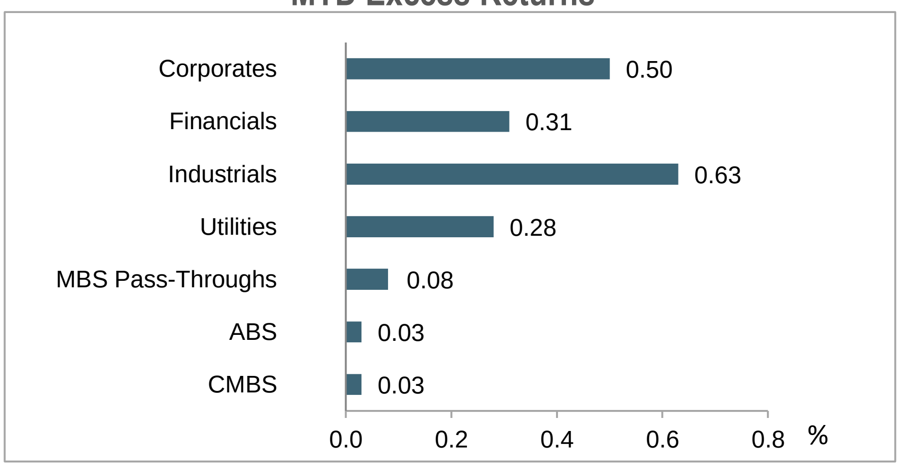
- US midterm elections dominated investor attention early in the week, and the election resulted in Democrats now holding the majority in the House and Republicans expanding their majority in the Senate[1]
    - A split Congress could make it more difficult for President Trump to move his agenda forward
- Treasury yields rose after the election results, especially in the belly of the curve, and the curve modestly steepened[1]
    - The Treasury auctioned the largest 10- and 30-year bond deals on record, with $27 billion and $19 billion issued, respectively; the 10-year auction was well received; however, the 30-year auction had relatively softer demand[1]
- Investor focus quickly shifted to the FOMC meeting, during which rates were left unchanged, as expected; the Fed's comments remained consistent with expectations and signaled for 'further gradual' tightening into 2019, based on current market conditions[1]
- Issuers brought roughly $22 billion to market but remained largely on the sidelines until the dust settled from midterm elections; almost $20 billion of the total was issued after the election[2]
- Investment grade corporate spreads tightened 6bps, from a three month wide of 119bps, to close at 113bps, despite new issue supply exceeding expectations[1]
    - Over 78% of companies beat earnings estimates, providing a tailwind for corporate spreads
- Securitized sectors couldn't keep pace with the rally in corporate spreads, and underperformed month-to-date[1]
- Municipal investors withdrew roughly $1.3 billion from mutual funds, marking the sixth straight week of outflows; some believe that outflows could reverse now that midterm elections have concluded[1]

Treasury Yield Curve[1]



Maturity	2-year	5-year	10-year	30-year
11/7/2018	2.96	3.08	3.24	3.44
MTD Change	0.09	0.10	0.10	0.05

MTD Excess Returns[1]*



Source: 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.