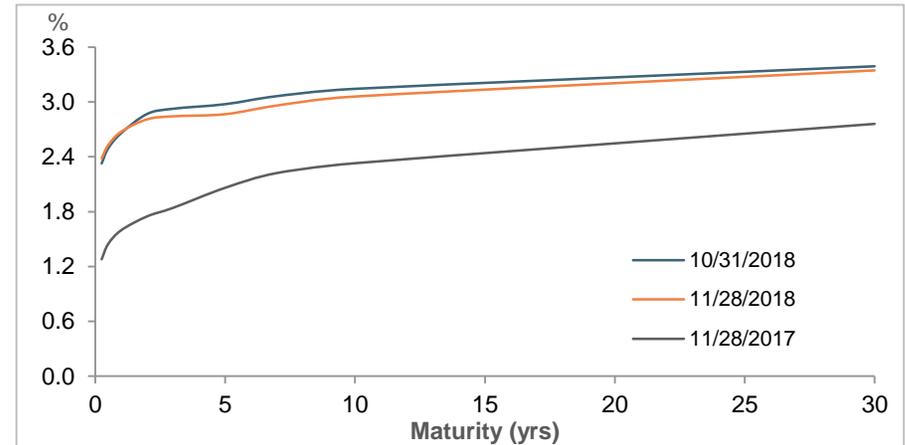




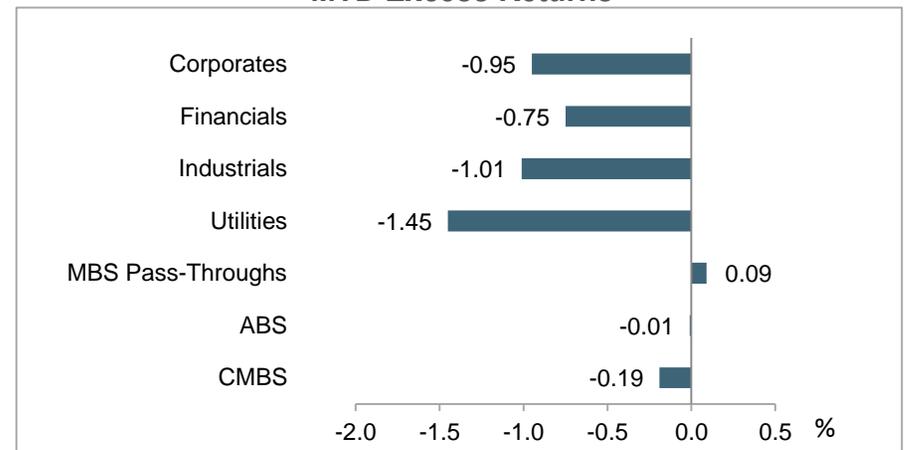
- Comments from Federal Reserve Chairman Powell suggested that the fed funds rate is “just below” estimates of a neutral rate and were perceived as slightly dovish, raising questions surrounding future hikes
  - Personal Consumption Expenditures, the Fed’s preferred measure of inflation, was lower than expected at 2% in October, casting additional uncertainty
  - The market is currently pricing an 82% probability of another rate hike at the December FOMC meeting, despite recent comments
- US jobless claims rose for the third straight week to 234,000, implying that employment conditions could be moderating
- Treasury yields rose moderately across the curve during the week, especially in the long end where yields increased 2-4bps
  - The long end of the curve continued to steepen, and the spread between 30-year yields and 10-year yields closed at 30bps, the steepest level since February 2018
- Investment-grade borrowers, who had been waiting on the sidelines due to recent market volatility, took advantage of a more constructive market tone this week and issued over \$25 billion, exceeding expectations of roughly \$20 billion
- Heavy supply weighed on corporate spreads, which widened 3bps week-over-week to 134bps, the widest level in over two years
  - High-yield corporate spreads widened out by over 100bps since early October and closed the week at 420bps, leading to a month-to-date excess return of -1.6%
- Mortgage-backed securities (MBS) outperformed month-to-date, as lower rates helped ease extension fears
- Municipals outperformed Treasuries, as light supply outweighed waning demand, with mutual funds seeing outflows for nine consecutive weeks

Treasury Yield Curve



Maturity	2-year	5-year	10-year	30-year
11/28/2018	2.81	2.87	3.06	3.35
MTD Change	-0.06	-0.11	-0.08	-0.04

MTD Excess Returns



Sources: Bloomberg Barclays, Bloomberg and Investment Company Institute

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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