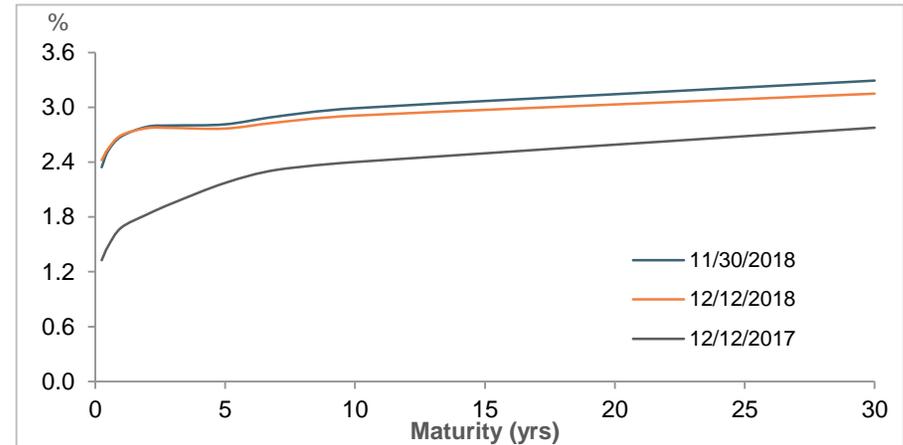




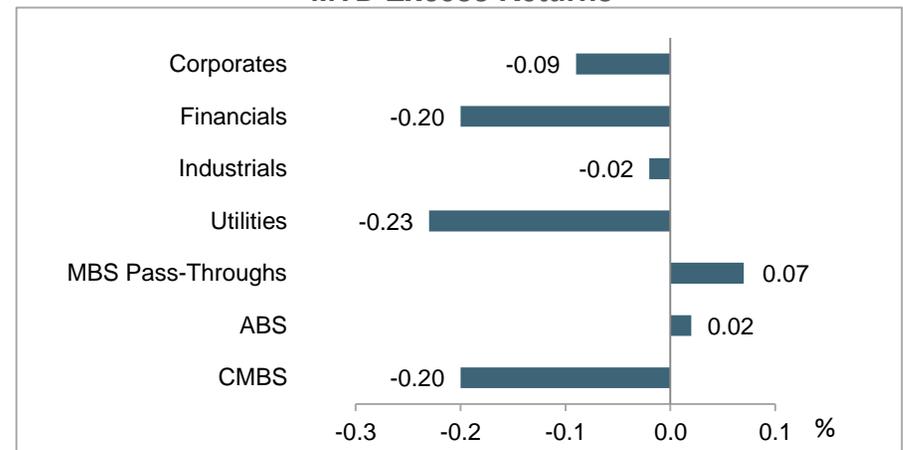
- US economic reports were broadly in line or slightly better than expectations – jobless claims fell, core CPI increased 0.2% month-over-month, and the producer price index was up slightly
 - Inflationary pressures remained in check with oil prices falling from over \$65/barrel to less than \$52/barrel since October
 - The 10-year breakeven inflation rate fell 1.83%, the lowest level since late 2017
- Treasury yields rose, and the curve modestly flattened in the long end, with the gap between 10- and 30-year yields falling from 0.29% to 0.25%
 - The 2-year yield climbed 6bps to 2.77% as the implied probability for a rate hike in December climbed 8% to 74%
- Investment-grade issuance continued to slow and only \$3.9 billion was priced this week, as most issuers remained sidelined in a desire for steadier market conditions
 - Lighter supply provided a tailwind for corporate spreads which tightened 3bps to close at 142bps
 - UnitedHealth Group Inc. was one of the few issuers of the week, and the company issued \$3 billion across the curve; the book was six times oversubscribed
- The new issue market remained light for asset-backed securities (ABS) as well, with only a handful of issuers in the pipeline; ABS issuance is expected to grind to a halt after this week, similar to last year when the final ABS deal of 2017 was on December 14th
 - Heavy supply in the commercial mortgage-backed securities (CMBS) market weighed on spreads, contrary to ABS
- Municipals outperformed Treasuries as a lack of issuance provided a positive technical backdrop
 - The 10-year muni/Treasury ratio fell 1% to 84%

Treasury Yield Curve



Maturity	2-year	5-year	10-year	30-year
12/12/2018	2.77	2.77	2.91	3.15
MTD Change	-0.02	-0.04	-0.08	-0.14

MTD Excess Returns



Sources: Bloomberg Barclays, Bloomberg and 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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