

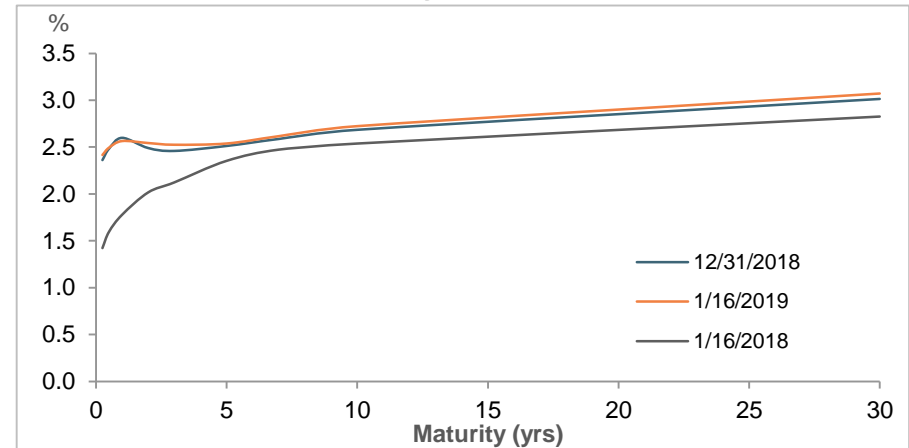


IR+M CLIENT UPDATE

January 11 – January 17, 2019

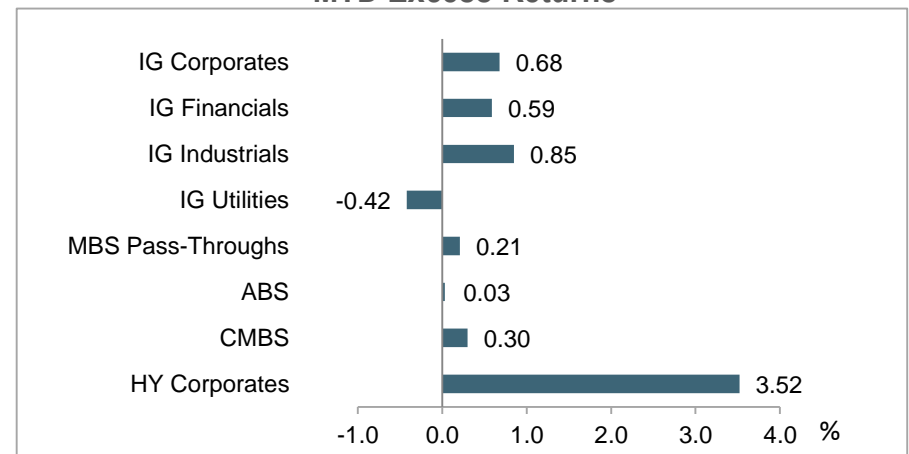
- Investors shrugged off global headlines related to a rejected Brexit deal and suggestions of a slowdown in China, and instead, focused on encouraging earnings reports and solid new issue performance
 - Treasury rates increased in the long end, as investor demand for risk assets continued, and the 30-year Treasury yield increased 7bps week-over-week to 3.07%
- Momentum in the investment-grade corporate market carried over from last week with a wave of issuance, and over \$21 billion of investment-grade bonds priced
 - Issuers experienced outsized demand, with healthy oversubscription levels and falling concessions
- US money center bank earnings have been generally positive, despite softer fixed income trading revenues; three of the six major domestic banks followed their earnings reports with new bond deals the next day
- Investor appetite for investment-grade bonds remained strong and spreads proved resilient to the elevated level of supply
 - Corporate spreads moved tighter by 4bps to 144bps, prolonging the trend of tighter spreads in 2019; spreads have fallen 9bps year-to-date after widening 47bps in the fourth quarter of 2018
- High yield corporate supply came back after months of no new issuance, and borrowers priced over \$4 billion; light supply and rising equity prices helped spreads tighten 9bps to close at 436bps
- Heavy issuance of asset-backed securities (ABS) weighed on month-to-date performance, as ABS lagged other securitized sectors; \$8 billion priced so far this month, compared to \$1.4 billion by this time last year
- Muted supply benefited municipal bonds, which historically perform well in January, as tax-exempt issuers ease into the new year

Treasury Yield Curve



Maturity	2-year	5-year	10-year	30-year
1/16/2019	2.54	2.54	2.72	3.07
MTD Change	0.05	0.03	0.03	0.05

MTD Excess Returns



Sources: Bloomberg Barclays, Bloomberg and JP Morgan

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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