

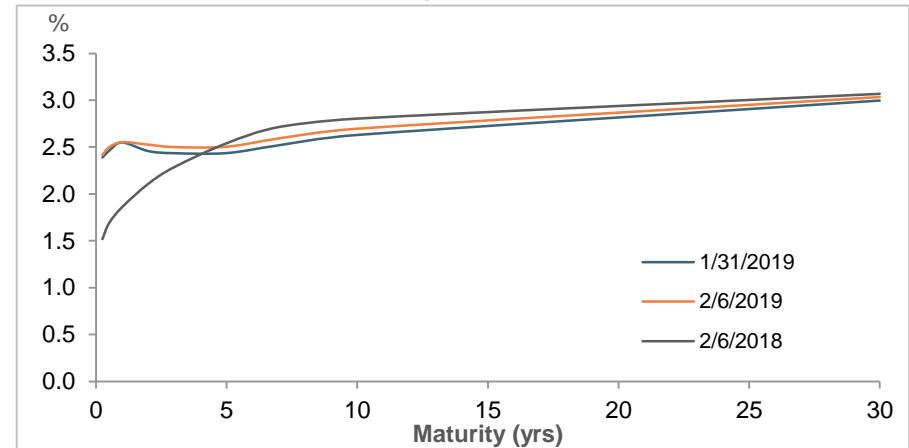


IR+M CLIENT UPDATE

February 1 – February 7, 2019

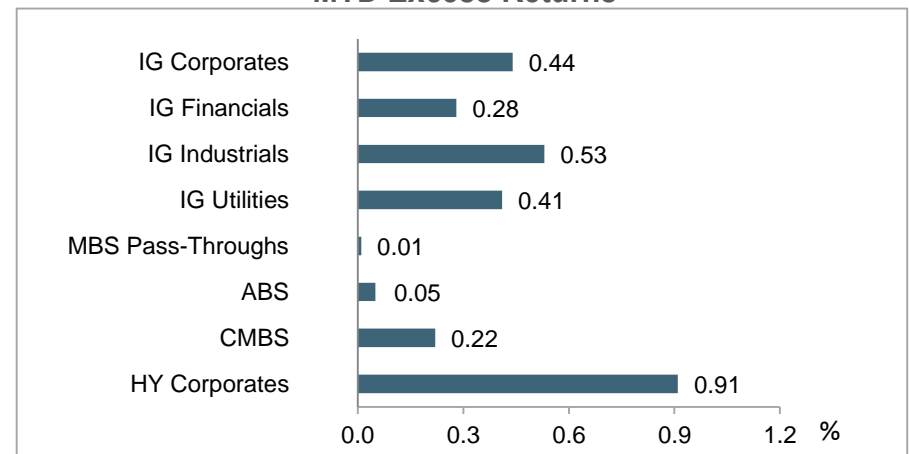
- Treasury yields rose, especially in the belly of the curve where rates increased by at least 6bps, as a risk-on tone pushed equity prices higher and corporate spreads tighter
- The US Treasury auctioned \$84 billion in Treasuries this week, which included the auction of \$27 billion in 10-year notes - an all-time record for single issuance in that tenor
- Despite strong demand from investors for newly-issued corporate bonds and deals being multiple times oversubscribed, issuers priced only \$12 billion in the primary market, less than the \$20 billion anticipated
 - Verizon Communications priced its first green bond, with a \$1 billion deal, which was highly demanded by investors and orders totaled over \$8 billion
 - February is expected to be a heavy month of issuance, with estimates of over \$85 billion in new supply, as companies exit quiet periods that typically follow earnings releases
- Lighter-than-expected activity in the primary market combined with a positive tone in risk assets to tighten investment-grade corporate spreads by 4bps month-to-date to 124bps
- Positive performance in the domestic equity markets spilled into high-yield corporates, and spreads tightened by 23bps to close at 400bps
 - High-yield funds saw inflows of \$3.7 billion this week, the biggest inflow since December 2016
- Securitized sectors continued to struggle to keep pace with corporates, as investors favored riskier assets
- Issuance of municipals totaled over \$27 billion year-to-date, which was ahead of last year's pace of almost \$22 billion
 - Despite heavy supply, municipals outperformed Treasuries and ratios moved lower across the curve

Treasury Yield Curve



Maturity	2-year	5-year	10-year	30-year
2/6/2019	2.53	2.50	2.70	3.03
MTD Change	0.07	0.06	0.07	0.03

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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