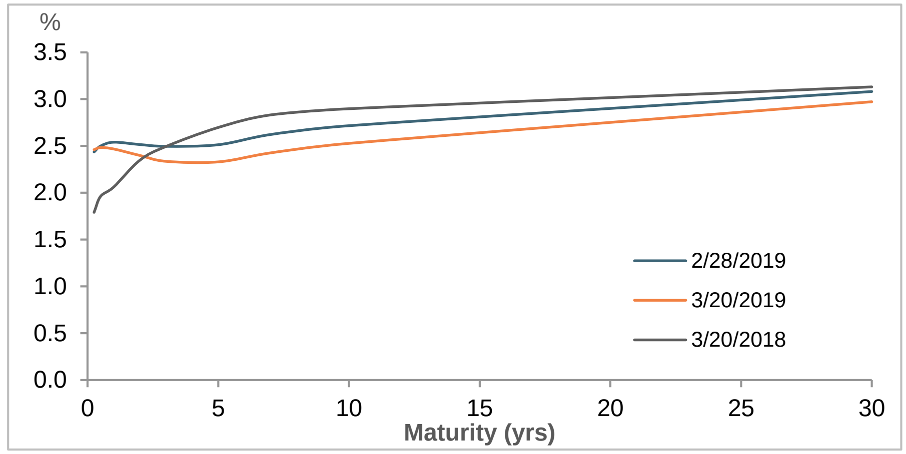
IR+M INCOME RESEARCH + MANAGEMENT

IR+M CLIENT UPDATE
March 15 – March 21, 2019

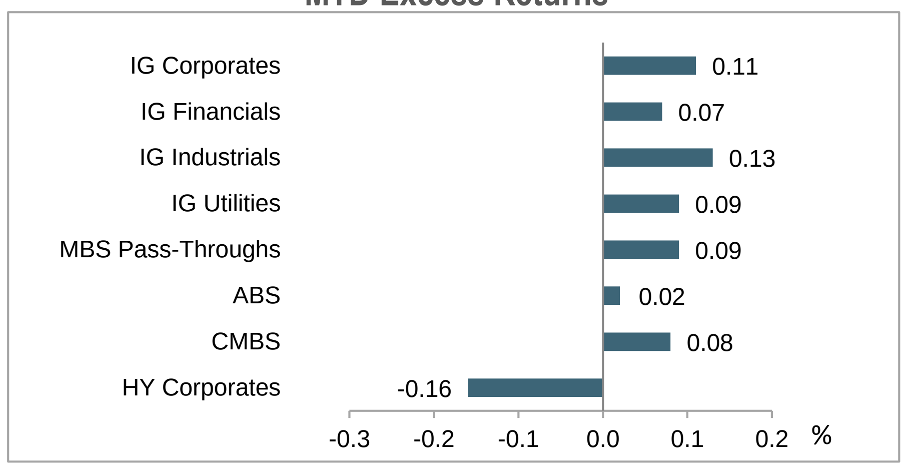
- The Federal Reserve (Fed) held interest rates steady and signaled that further rate hikes were unlikely in 2019 – a more dovish stance than the market expected
    - The Fed also announced that in May it would begin to slow the pace at which it will reduce the $4 trillion balance sheet
    - Balance sheet reduction is now set to end at approximately $3.5 trillion in September 2019
- Treasury yields fell across the curve; the 10-year Treasury yield reached 2.53%, the lowest level since January 2018, and the 30-year yield broke through 3.00% to close at 2.97%
- Investment-grade corporate spreads tightened by 1bp to 120bps week-over-week, as investor demand for risk assets remained solid
- Corporate issuers priced $18 billion of investment-grade bonds, which met dealer's expectations of $15 to $20 billion
    - Year-to-date issuance is behind the 2018 pace by 8%
- High-yield borrowers issued $15 billion month-to-date; deals came late to the market and increased offering sizes amid solid fund inflows
    - With increased supply, investors required wider high-yield spreads, which has led to underperformance compared to up-in-quality assets
- Securitized sectors outperformed Treasuries over the week, as demand increased amid a reversal of negative investor sentiment
- Municipals underperformed Treasuries this week, and Muni/Treasury ratios moved three percentage points higher to 81.3%, off the record low of 78.2% seen earlier in the month

Treasury Yield Curve



Maturity	2-year	5-year	10-year	30-year
3/20/2019	2.40	2.33	2.53	2.97
MTD Change	-0.12	-0.18	-0.19	-0.11

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.