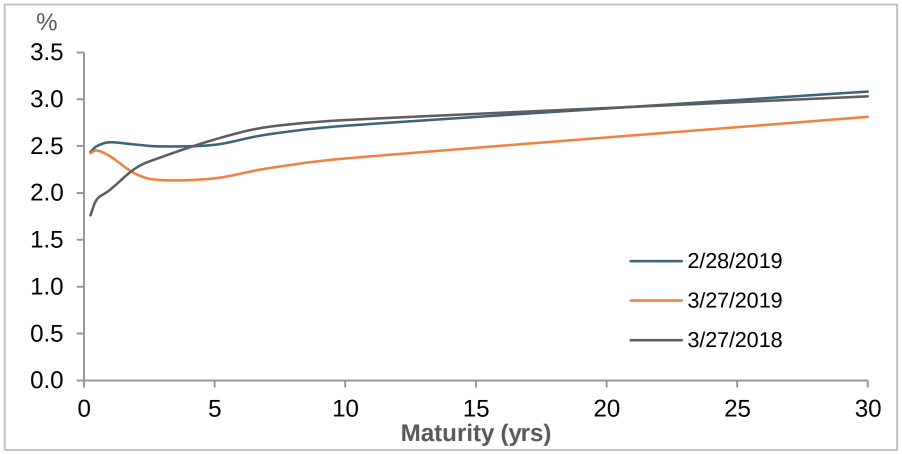
IR+M INCOME RESEARCH + MANAGEMENT

IR+M CLIENT UPDATE
March 22 – March 28, 2019

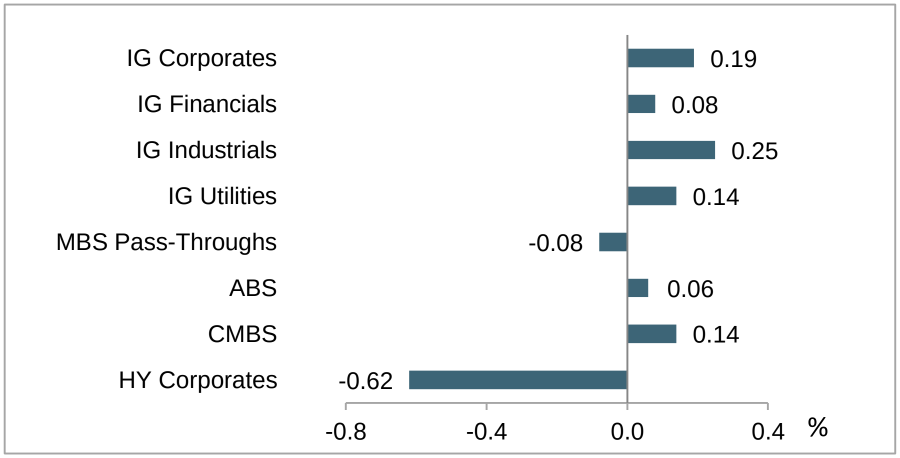
- Bond yields fell across the world, as central banks signaled a willingness to keep interest rates low for longer than expected, amid signs of slowing global growth
    - The 10-year German bund dropped below zero percent for the first time since 2016
- Treasury yields fell across the curve, as the Fed's surprisingly dovish remarks and lower global rates raised investor demand for Treasuries
    - The 10-year Treasury yield fell 16bps week-over-week to 2.37%, which was below the 3-month Treasury yield for the first time since 2007
    - The 2-year Treasury note auction received solid demand from investors – an indication that investors are still willing to buy US bonds despite the current level of yields
- Investment-grade corporate spreads tightened 1bp week-over-week to 119bps, as a positive technical backdrop supported the market
    - Year-to-date supply of $309 billion is 6% behind last year's pace, and last week's net fund inflow of over $5 billion was the largest in a year, signaling strong investor demand
- Concerns of global growth pushed high-yield corporate spreads wider by 16bps this week to close at 402bps
- Mortgage-backed securities (MBS) struggled to keep pace with Treasuries as heightened interest rate volatility weighed on the sector
    - The national average for the 30-year mortgage rate fell to 4.06%, down from 4.82% in November 2018
- Short duration municipals underperformed Treasuries, as the 2- and 3-year Treasury yield fell over 19bps week-over-week

Treasury Yield Curve



Maturity	2-year	5-year	10-year	30-year
3/27/2019	2.20	2.16	2.37	2.81
MTD Change	-0.32	-0.35	-0.35	-0.27

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.