IR+M

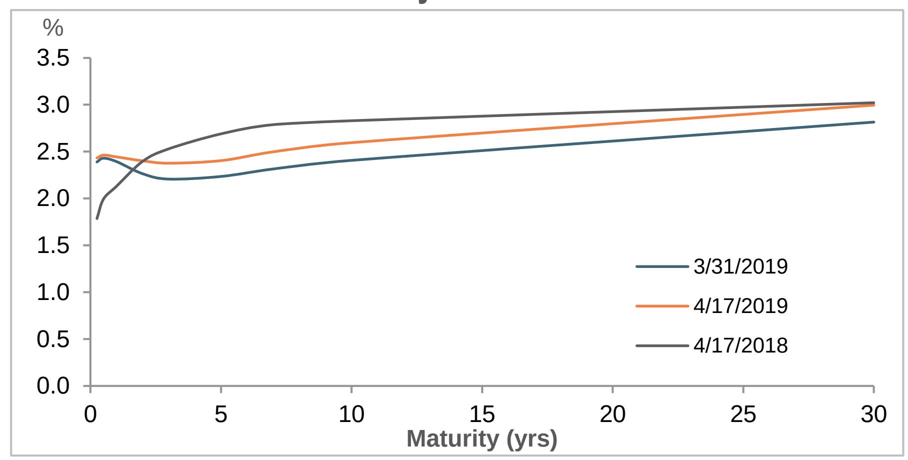
INCOME RESEARCH + MANAGEMENT

IR+M CLIENT UPDATE

April 12 – April 18, 2019

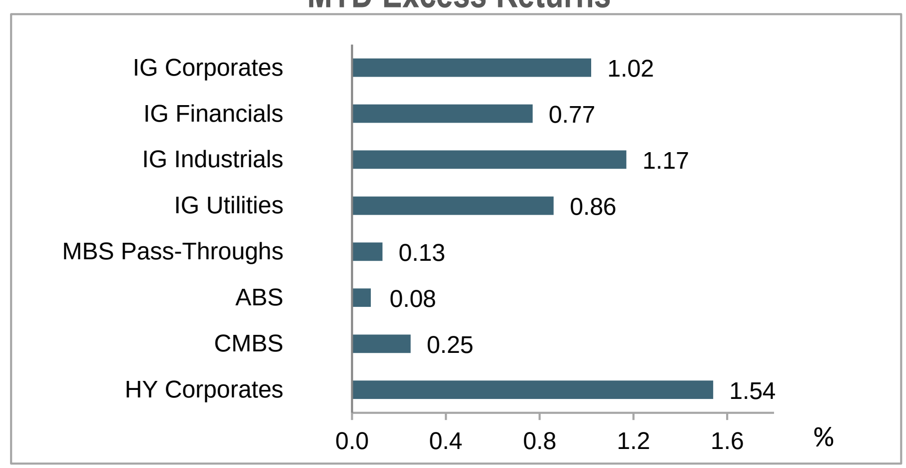
- Treasury yields moved higher week-over-week as investors increased risk following positive economic data from China and dovish comments from the Federal Reserve (Fed)
  - Chinese GDP came in 0.1% above expectations, to 6.4%, which improved confidence in global growth
  - Fed presidents from Chicago and Boston stated an openness toward changing its 2% inflation target, allowing for a range of outcomes, and also expressed optimism in the economy
  - The ten-year Treasury yield was 13bps higher week-over-week, to close at 2.60%
- Issuers priced just over $18 billion of investment-grade corporate debt, beating expectations of $10 to $15 billion; year-to-date supply is 2% behind the 2018 pace of $383 billion
- Amid demand for risk assets, investment-grade corporate spreads tightened 3bps week-over-week to close at 109bps
  - Financials underperformed other corporate sectors month-to-date, a result of concern over the industry's future profitability as the Fed may be done hiking interest rates
- High-yield corporate spreads were virtually unchanged this week, up 1bp to close at 355bps, just above year-to-date tights of 351bps
- A quiet new issue market met lighter secondary volume with the shortened week and CMBS spreads tightened modestly to 65bps
- Municipals outperformed Treasuries this week, and the 10-year muni/Treasury ratio established a new multi-year low of 76%

Treasury Yield Curve



Maturity	2-year	5-year	10-year	30-year
4/17/2019	2.40	2.40	2.60	3.00
MTD Change	0.14	0.17	0.19	0.18

MTD Excess Returns



Sources: Bloomberg Barclays, Bloomberg, Bloomberg Index Services Limited and Citigroup

Excess returns are the curve-adjusted excess return of a given index relative to a term structure-matched position in Treasuries.