IR+M

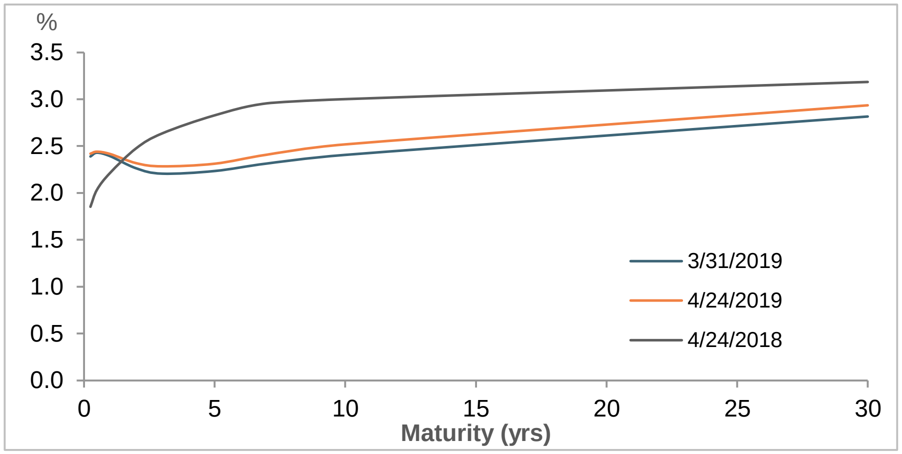
INCOME RESEARCH + MANAGEMENT

IR+M CLIENT UPDATE

April 19 – April 25, 2019

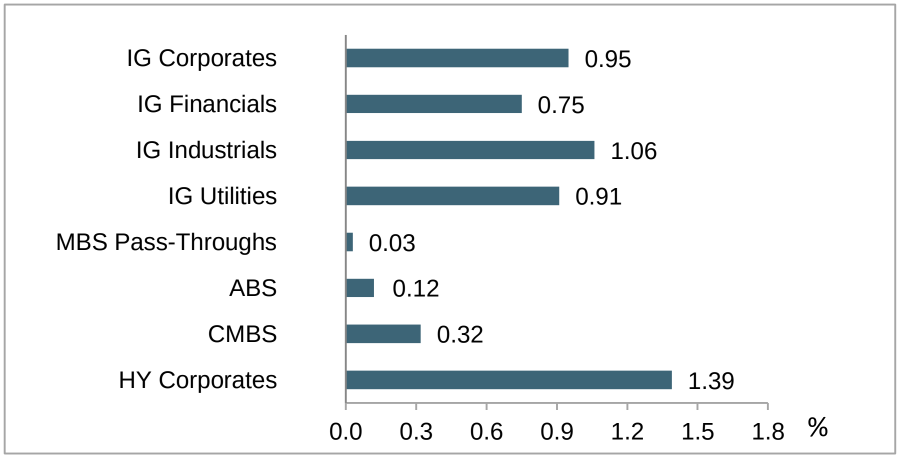
- Treasury yields fell week-over-week, and the curve steepened, as a soft market tone caused investors to favor safe-haven assets
    - The spread between the 2- and 10-year Treasury yield reached 20bps, matching the highest level this year
    - The US Treasury auctioned $237 billion of debt, and received solid demand from investors, as yields remain attractive versus global peers
- New home sales totaled 692,000, the highest rate since November 2017, as a result of the recent drop in mortgage rates
- Corporate supply totaled almost $6 billion – well below estimates of over $15 billion – with many borrowers sidelined amid quiet periods that precede earnings releases
- Despite lower-than-expected supply, investment-grade corporate spreads leaked 1bp wider week-over-week to 110bps; spreads are now 16bps tighter than the five-year average
    - 30% of companies in the S&P 500 reported first-quarter results, with an average earnings growth rate of over 3%; however, earnings are forecasted to decline by 3% overall
- Lighter secondary volumes pushed high-yield spreads 6bps wider to close at 355bps, as investors await more earnings reports
- Mortgage-backed securities (MBS) slightly outperformed Treasuries month-to-date, but have not kept pace with other spread product
    - Mortgage applications fell by over 7% last week, the third consecutive week of declines since an 18% surge earlier this month
- Longer-dated municipals outperformed similar-duration Treasuries, and muni/Treasury ratios fell by 1%

Treasury Yield Curve



Maturity	2-year	5-year	10-year	30-year
4/24/2019	2.32	2.31	2.52	2.94
MTD Change	0.06	0.08	0.11	0.12

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.

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