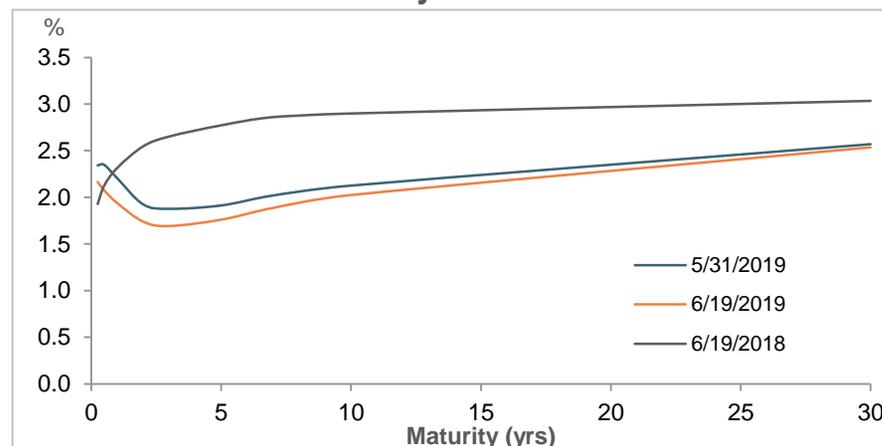




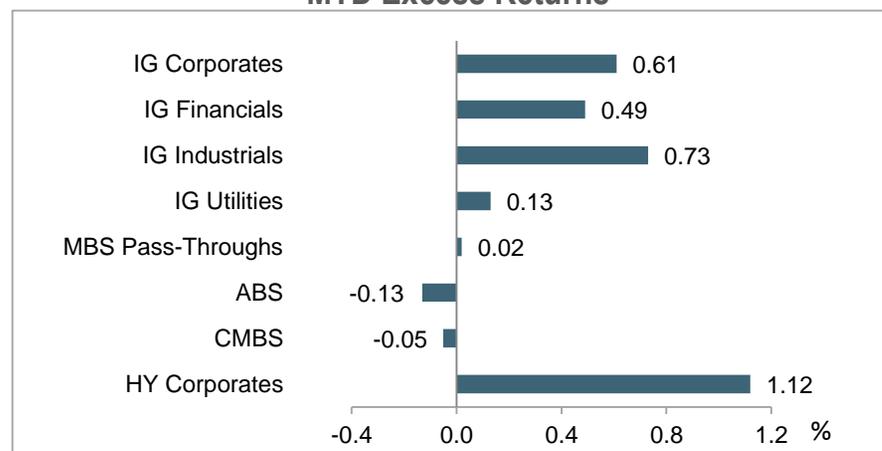
- The Federal Reserve (Fed) held interest rates steady Wednesday, with nine out of ten committee members voting to maintain the federal funds rate in a range between 2.25% and 2.50%
 - Fed Chairman Jerome Powell hinted that future rate cuts were possible and the committee “will act as appropriate to sustain the [economic] expansion”
 - Market expectations are for a 25bps interest rate cut at July’s Fed meeting and the implied probability of a 50bps cut is currently 36%
- Following the Fed’s comments, yields on the 10-year Treasury dropped sharply and continued lower to close at 2.02%
- Investment-grade corporate supply was muted ahead of the Fed decision, as issuers priced approximately \$8 billion week-to-date, well below estimates of \$15 to \$20 billion
- Moderated new issue supply combined with investors’ risk-on tone to move corporate spreads 3bps tighter to close at 123bps
 - Investment-grade corporate bonds extended month-to-date excess returns, with industrials leading the way, as the Fed’s accommodative statement relieved concerns for trade tensions to slow the US economy
- Increased mortgage prepayments – a potential result of declining rates – worried investors, and mortgage-backed securities underperformed week-over-week
- Municipals trailed the recent rally in Treasuries, and the 10-year muni/Treasury ratio rose above 81% – the highest level since the record low of 72% in March

Treasury Yield Curve



Maturity	2-year	5-year	10-year	30-year
6/19/2019	1.74	1.76	2.02	2.54
MTD Change	-0.18	-0.15	-0.11	-0.03

MTD Excess Returns



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

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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