IR+M

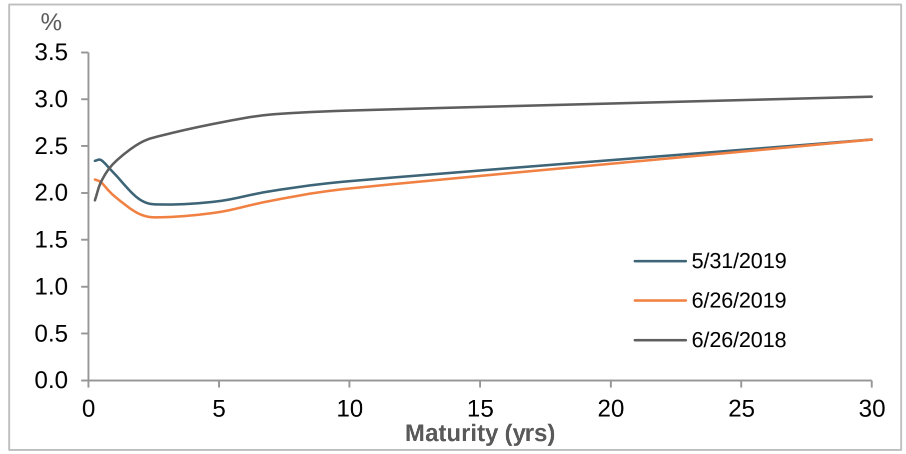
INCOME RESEARCH + MANAGEMENT

IR+M CLIENT UPDATE

June 21 – June 27, 2019

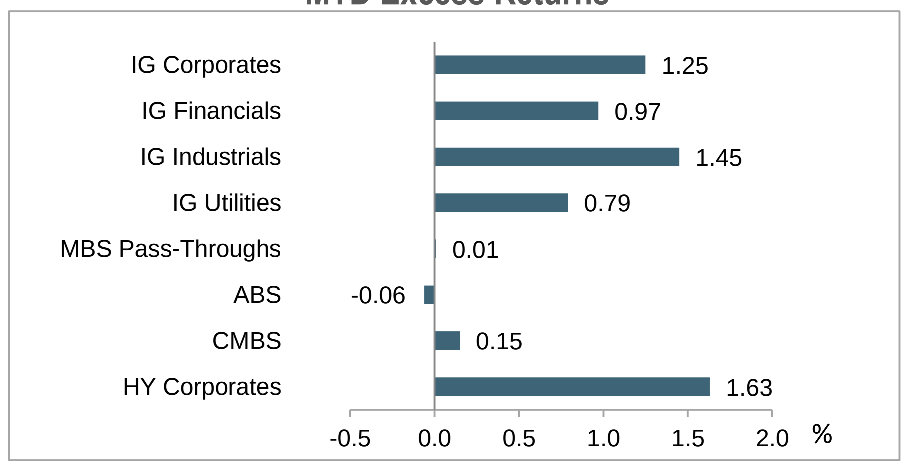
- After dipping below 2.00% for the first time since November 2016, the 10-year Treasury yield rebounded to 2.05% on Wednesday
  - St. Louis Federal Reserve (Fed) President James Bullard, the lone dissenting vote in last week's decision, reiterated Tuesday that he thought a 25bps cut would be advisable, but a 50bps cut would be unnecessary
  - The market-implied probability of a 50bps rate cut decreased to 20%, down from 38% on Monday
- Globally, bond yields moved further into negative territory as economic worries and low inflation expectations kept investors in government-backed debt
  - 10-year German Bunds traded at a yield of -0.33% earlier this week, the lowest yield on record
- Issuers took advantage of low all-in yields and priced $11 billion of investment-grade corporate debt, meeting dealer estimates of $10 to $15 billion
  - New issuance is expected to slow, as companies await signals from the ongoing G-20 Summit
- Investment-grade corporate bond spreads tightened by 7bps week-over-week, and closed at 116bps, reflecting investors' strong appetite for risk
- Commercial mortgage-backed securities (CMBS) outperformed other securitized assets month-to-date, as the subsector is less sensitive to interest-rate volatility
- Demand for municipal bond issuance has largely outweighed supply; numerous deals were multiple times oversubscribed, with some new issues pricing through the AAA-rated muni yield curve

Treasury Yield Curve



Maturity	2-year	5-year	10-year	30-year
6/26/2019	1.77	1.80	2.05	2.57
MTD Change	-0.15	-0.11	-0.08	0.00

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.