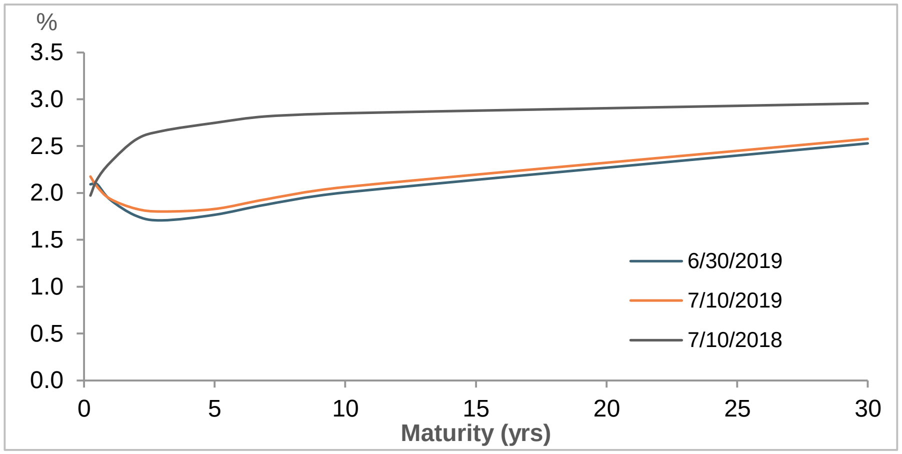
INCOME RESEARCH + MANAGEMENT

IR+M CLIENT UPDATE

July 1 – July 11, 2019

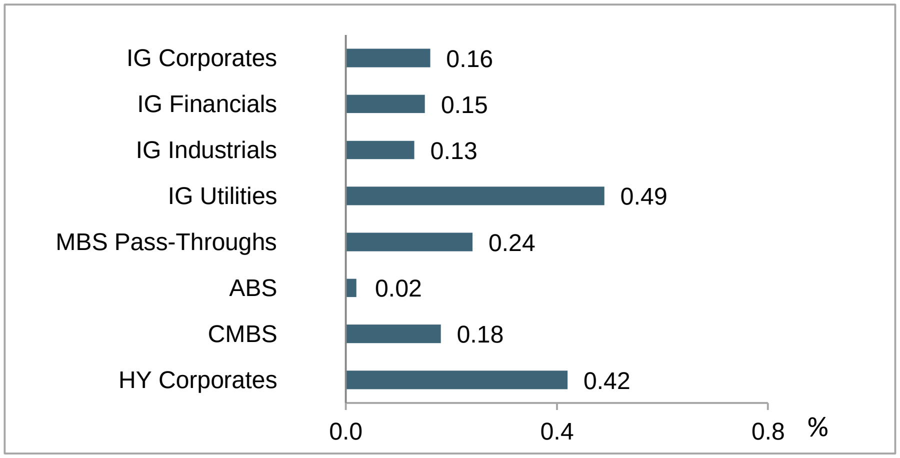
- The Federal Reserve (Fed) conveyed further dovish signals to market participants, and Treasury yields moved higher month-to-date as investors favored risk-assets following the accommodative tone
    - In a congressional testimony, Fed Chairman Jerome Powell addressed the risks of slow global growth and trade tensions weighing on the economic outlook, and cited weaker-than-expected inflation readings
    - The market-implied probability of a 25bps rate cut at July's Fed meeting increased from 84.5% on June 30th to 100%
    - More confident in the Fed's support, investors sent the S&P 500 to a new intraday high and above 3,000 for the first time on record
- Issuance of investment-grade corporates totaled over $20 billion month-to-date, and is on pace to meet dealer estimates of $60 to $70 billion for July
    - However, lower rates overseas continue to attract issuers, and year-to-date supply is 10% behind last year's pace
- Amid the risk-on tone, investment-grade corporate spreads tightened by 2bps, to close at 113bps – 4bps shy of the year-to-date tights
    - High-yield corporates extended solid gains on the heels of a strong equity market, and outperformed higher-rated bonds
- Asset-backed securities (ABS) underperformed other securitized sectors month-to-date, as expectations for heavy supply in July weighed on performance
- Municipals participated in the rally, outperforming Treasuries, and the 10-year muni/Treasury ratio decreased by over 3%, to close at 77%

Treasury Yield Curve



Maturity	2-year	5-year	10-year	30-year
7/10/2019	1.83	1.83	2.06	2.58
MTD Change	0.07	0.06	0.05	0.05

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.