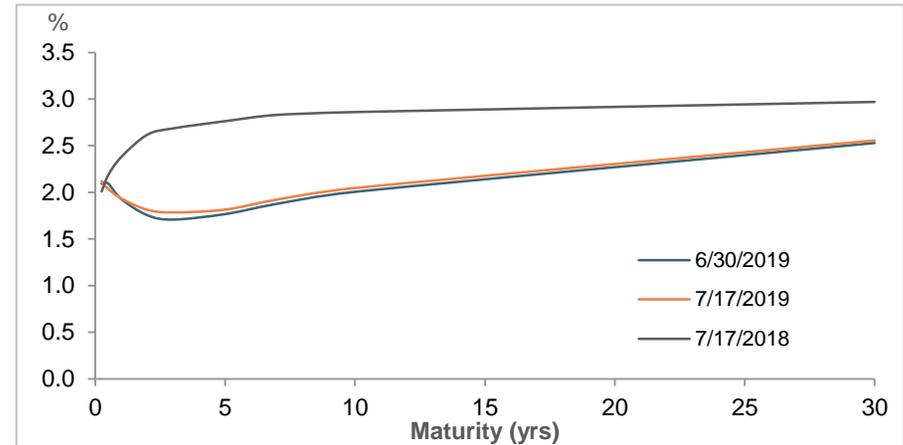




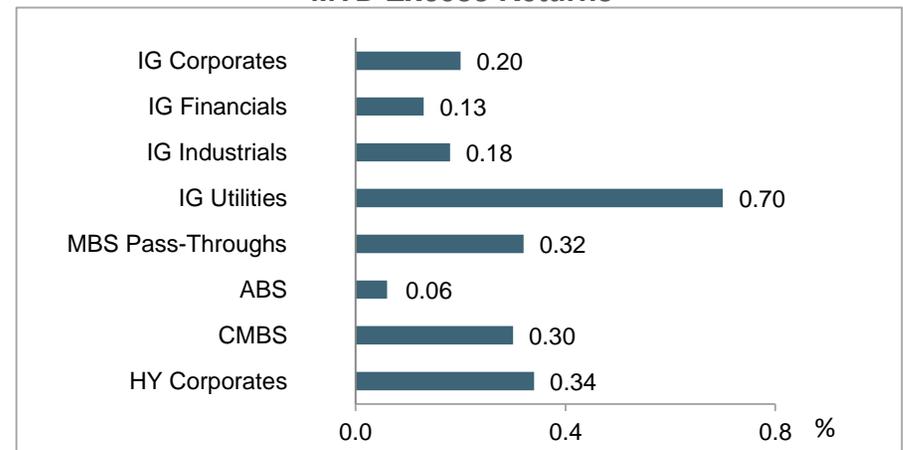
- Fixed income markets continued to anticipate the July Federal Reserve (Fed) meeting, broadly expecting the Fed to lower rates, which would be the first rate cut since 2008
 - The market-implied probability of a 25bps rate cut is 100%, while the odds of a 50bps rate cut have increased from 0% to 32.5% since May
 - However, recent data on inflation, the labor market, retail sales, and manufacturing output has surprised to the upside, and continues to point to a resilient US economy
- Issuance of investment-grade corporates was muted, totaling approximately \$7 billion, which fell short of dealer estimates of \$20 to \$25 billion
 - Lower supply is largely due to the lack of issuance from major US banks, despite most exiting earnings blackout periods
- Investment-grade corporate spreads were flat week-over-week, and tightened by 1bp to 112bps, as lower Treasury yields and weaker oil prices were offset by light new issuance
 - Utilities outperformed as California passed wildfire legislation which will help stabilize the state's large utility companies and avoid a potential multi-notch downgrade
- Asset-backed securities (ABS) underperformed other securitized sectors, as investors expect that this week may have the most issuance of the summer
- Demand for municipal bonds remain high as municipal bond funds saw net inflows of \$47 billion in the first six months of 2019

Treasury Yield Curve



Maturity	2-year	5-year	10-year	30-year
7/17/2019	1.81	1.81	2.05	2.56
MTD Change	0.05	0.04	0.04	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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