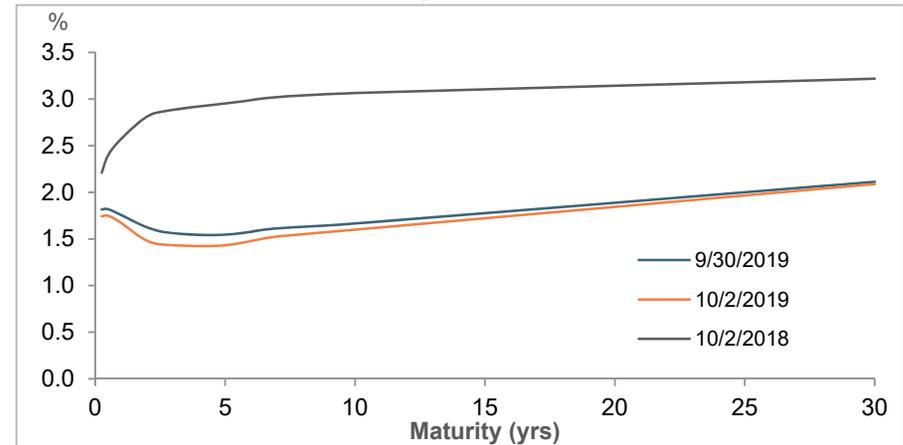




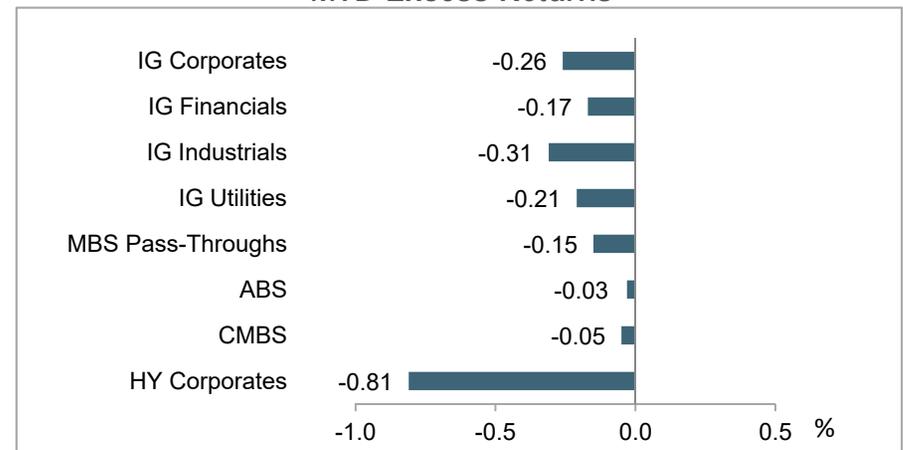
- The fourth quarter started on a weaker note, as investors' fear of a global slowdown, exacerbated by disappointing economic news, drove major stock indices lower
 - The US Institute for Supply Management (ISM) manufacturing index fell to 47.8, the second consecutive month of contraction and the lowest level since June 2009
 - US crude oil inventories rose for the third straight week, as reduced demand more than offset slowed output by refiners
 - Treasury yields rallied across the curve and retraced much of the increases from September, as the bid for safe-haven assets returned
- Amid the less favorable economic data, the market-implied probability of an additional rate cut this year by the Federal Reserve (Fed) rose to almost 90%, up from 71% at the end of the September
- Investment-grade corporate issuance was approximately \$6 billion; year-to-date volume is down 6% from last year's pace
- The flight to quality drove investment-grade corporate spreads wider by 4bps month-to-date to close at 119bps
 - High-yield corporates underperformed other fixed income sectors, given volatility in the equity market, and spreads closed 36bps wider at 409bps
- Mortgage-backed securities (MBS) lagged other securitized sectors as the drop in rates increased prepayment fears
- Municipals underperformed Treasuries on heavy supply; the 10-year muni/Treasury ratio increased to 90%, the highest level since the end of 2017

Treasury Yield Curve



| Maturity | 2-year | 5-year | 10-year | 30-year |
|------------|--------|--------|---------|---------|
| 10/2/2019 | 1.48 | 1.43 | 1.60 | 2.09 |
| MTD Change | -0.14 | -0.12 | -0.07 | -0.02 |

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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