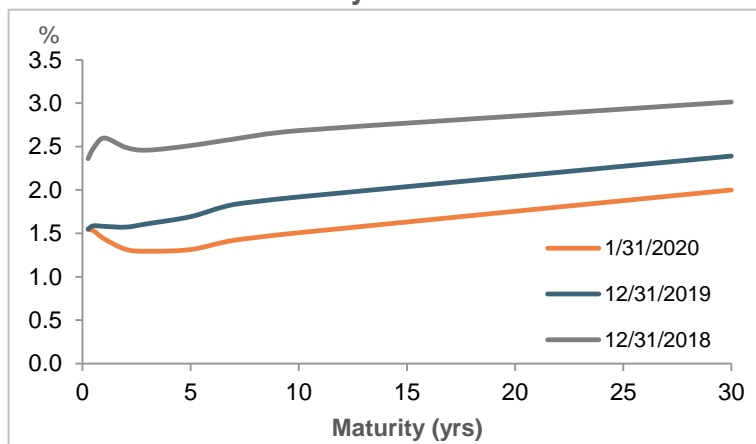


MARKET NEWS

- Risk assets underperformed in January amid concerns of slowing global growth, as economic data was mixed and the progressive spread of the coronavirus dominated headlines
 - Equity markets fell from all-time highs, corporate bonds underperformed and the price of oil fell by over \$9
 - Inflation data was softer-than-expected, but fourth quarter GDP showed the US economy continued its longest expansion on record
- The Federal Reserve (Fed) left the fed funds target range unchanged at 1.5-1.75%, as expected, and commented that further cuts are unlikely in 2020 given the current health of the US economy
 - Investors, however, believe the Fed will likely cut rates this year with an almost 91% market-implied probability of at least one rate cut
- Treasury yields steadily fell and the curve flattened as concerns surrounding coronavirus deepened; the curve closed the month inverted, with the yield of the 3-month Treasury Bill closing 4bps higher than the yield of the 10-year Treasury Note
 - The 30-year Treasury rate closed at 2%, the lowest level since September 2019
- Negative headlines were a headwind for investment-grade corporate spreads – which widened 9bps from 93bps to 102bps – with Energy and Communication subsectors being impacted the most
 - Despite weaker sentiment, demand for newly issued bonds was solid; order books were 3.4 times oversubscribed, on average, and borrowers priced bonds with less than 3bps of concession to outstanding issues
 - Investment-grade corporate borrowers took advantage of primary market strength and issued over \$133 billion, the second largest issuance total for the month of January on record and ahead of expectations of \$120 billion
- Equity market weakness and falling oil prices impacted high-yield corporate spreads, which widened 54bps to 390bps
- Asset-backed securities (ABS) and commercial mortgage-backed securities (CMBS) benefited from borrowers staying on the sidelines most of the month, providing a supportive technical which helped insulate the sectors from broader weakness
- Longer-duration municipals underperformed Treasuries, with the 10-year muni/Treasury ratio increasing 1% to 78%

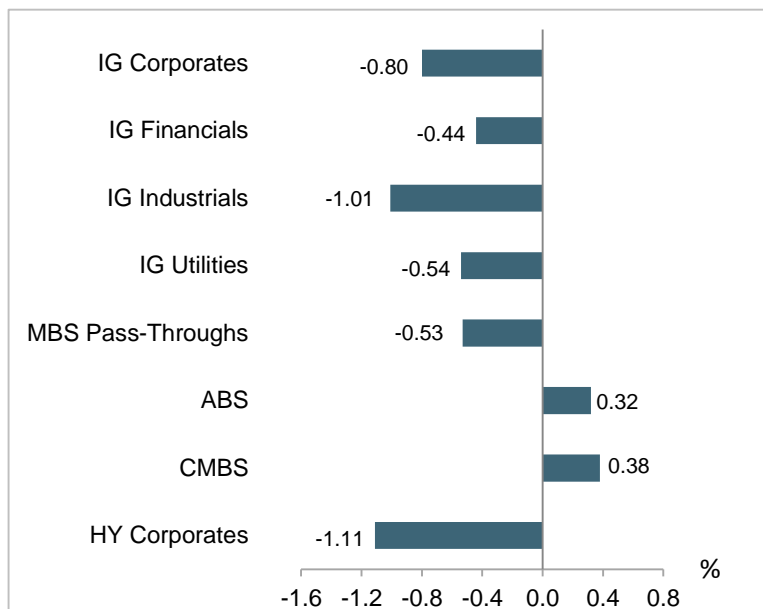
MARKET STATISTICS

Treasury Yield Curve



Maturity	2-year	5-year	10-year	30-year
1/31/2020	1.32	1.31	1.51	2.00
MTD Change	-0.25	-0.38	-0.41	-0.39

Excess Returns*



As of: 1/31/20. Sources: Bloomberg, Bloomberg Barclays, Citigroup

*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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