



## Treasuries Rally in “Risk-Off” Environment

- Treasuries rallied as a confluence of factors such as global growth concerns, lower oil prices, Brexit and other idiosyncratic events triggered a sharp sell-off in risk assets that pushed credit spreads to their widest levels of the year.
- The tobacco sector got smoked last week as the FDA appears ready to move forward with a ban on menthol and other flavored cigarettes. Menthol makes up about 20% of the revenue for British American Tobacco, so it was the worst performer.
- GE spreads continued to widen following last week's negative equity report from JPMorgan. With current spreads in the 250-350 range (from 2-years to 30-years), the market is signaling it will be downgraded to high yield. This is a dramatic decline for a company rated AA- by S&P one year ago.
- Investment grade spreads are now 35 basis points (bps) wider on the year and clearly oversold, so a snap tighter would not be a surprise.

## Corporate Spreads



Source: Bloomberg

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