



## Market Commentary

### THE ECONOMY

- The Fed unceremoniously raised interest rates in June in line with expectations. Of greater significance was heightened trade tensions globally, roiling both developed and emerging markets. The proposed protectionist policies are expected to be a modest headwind to GDP growth while inflation should continue its measured upward trajectory. Going forward, the potential for more meaningful retaliation leaves the risks to growth and inflation open-ended.

### STRUCTURED MARKETS

- The primary ABS market was active again this month with under \$21bn in deals pricing. Auto loan and lease securitization deals continued to be the leaders in the ABS primary market with just over \$8bn in new issuance in June. Credit card issuance slowed down in June with under \$1bn in deals pricing as lenders found cheaper sources of financing outside of the securitization market. ABS demonstrated its ability to insulate its performance from the broader market as most ABS sub sectors showed barely any signs of spread widening with a relatively volatile and uncertain political backdrop hanging over financial markets.

### CORPORATE CREDIT MARKET

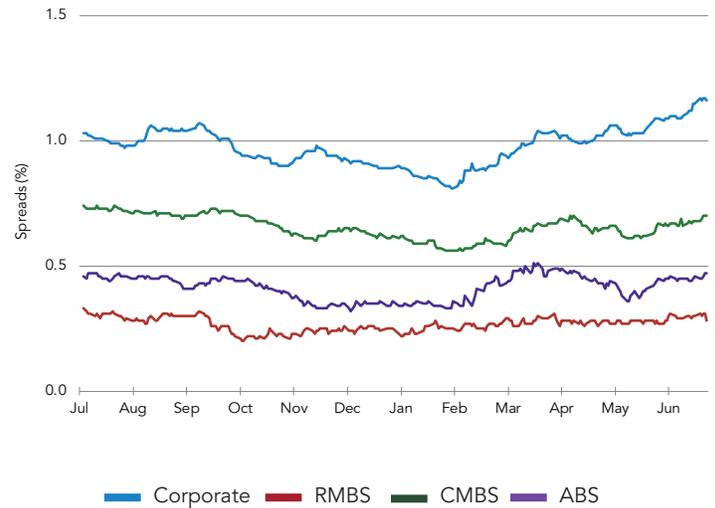
- Credit spreads continued their march wider during the month with the Bloomberg Barclays Corporate Index widening 8 basis points (bps) to end at 123 bps in June. Market indigestion in the face of large megadeals (approximately 30% of June's primary volume) coupled with tariff related market jitters contributed to the weakness during the month. Despite the negative backdrop, front-end technicals have remained fairly resilient given the flatness of credit/yield curves. Primary supply came in at approximately \$111bn which was the highest June on record. Looking ahead, the July 4th holiday should provide a brief reprieve from the primary volume; however, street estimates indicate issuance of ~\$90bn for the month of July.

### GOVERNMENT MARKET

- The 2-yr and 5-yr yields increased by 10 bps and 4 bps respectively, for the month of June. The 10-yr increased slightly by less than 1 bp while the 30-yr decreased by 4 bps for the month of June.

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### SPREADS TO TREASURIES



### BLOOMBERG BARCLAYS BENCHMARK DATA

	Total Return MTD
1-3 Gov/Credit	0.01%
Int. Gov/Credit	-0.07%
Aggregate	-0.12%
1-3 Yr US Treasury	0.01%
3-5 Yr US Treasury	-0.04%
5-10 Yr US Treasury	-0.02%
10-20 Yr US Treasury	0.02%
20+ Yr US Treasury	0.19%

### SECTOR DATA FROM BLOOMBERG BARCLAYS AGGREGATE

	Total Return MTD	Excess Return* MTD	Current YTM
Corporates	-0.58%	-0.59%	4.01%
Financials	-0.32%	-0.31%	3.91%
Industrials	-0.67%	-0.69%	4.06%
Utilities	-0.98%	-1.01%	4.03%
RMBS	0.05%	0.03%	3.41%
CMBS	-0.17%	-0.14%	3.47%
ABS	0.05%	0.01%	2.99%
Agencies	0.03%	0.01%	3.16%

\*Month-to-date performance of spread bearing bonds versus duration-matched Treasuries