



## Market Commentary

### THE ECONOMY

- While trade tensions remain, fears have at least partially abated as expectations for continued escalation have dampened. Second quarter GDP hit a recent high of 4.1% as the impacts of fiscal stimulus flow through while inflation is now within targets. Market expectations are for a rate hike in September with increasing probabilities for another in December, for a total of four in 2018.

### STRUCTURED MARKETS

- The primary CMBS market saw \$11.4B of new non-agency issuance in June, the highest level since November 2016. July issuance was more tepid, as expected, near \$5B. In both Agency and non-agency CMBS, spreads widened at the top of the stack to absorb the supply in June. At the same time, credit sensitive bonds continued to tighten on limited supply as risk-retention has reduced the 'float' even if total supply is up. AAA spreads recovered in July while the trend continues in subordinate classes. CMBS is seen as isolated from direct effects of a trade-war, while consumer confidence and a strong labor market continue to provide stable fundamentals.

### CORPORATE CREDIT MARKET

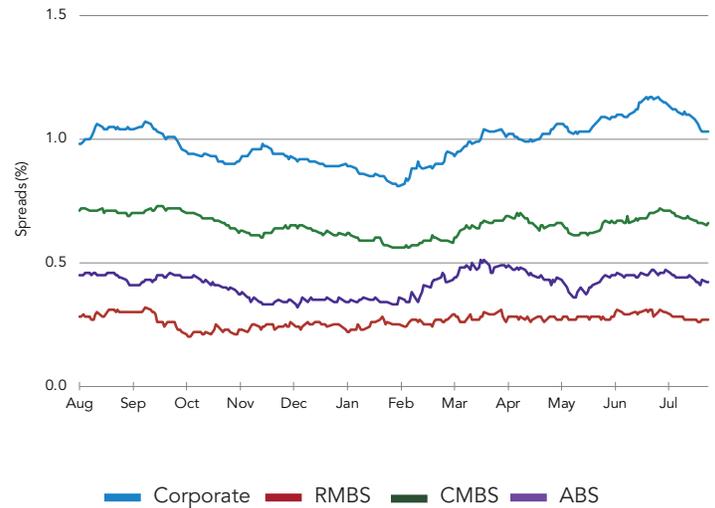
- The Bloomberg Barclays Index tightened 14 basis points (bps) to end at 109 bps in July. Despite ongoing trade war rhetoric and domestic political gaffes, corporates benefited from a lack of supply, light dealer positioning and strong corporate earnings. Of the 65% of companies that have reported thus far, 73% have beat on revenue estimates while over 87% have beat on earnings. Month-to-date primary supply came in at approximately \$63B, the bulk of which was driven by financials exiting earnings blackout.

### GOVERNMENT MARKET

- The 2-yr and 5-yr yields increased by 14 bps and 11 bps, respectively, for the month of July. The 10-yr increased by 10 bps and the 30-yr yield increased by 9 bps for the month of July.

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### SPREADS TO TREASURIES



### BLOOMBERG BARCLAYS BENCHMARK DATA

	Total Return MTD
1-3 Gov/Credit	0.05%
Int. Gov/Credit	0.03%
Aggregate	0.02%
1-3 Yr US Treasury	-0.02%
3-5 Yr US Treasury	-0.22%
5-10 Yr US Treasury	-0.44%
10-20 Yr US Treasury	-0.95%
20+ Yr US Treasury	-1.52%

### SECTOR DATA FROM BLOOMBERG BARCLAYS AGGREGATE

	Total Return MTD	Excess Return* MTD	Current YTM
Corporates	0.83%	1.35%	3.99%
Financials	0.65%	1.02%	3.90%
Industrials	0.99%	1.56%	4.02%
Utilities	0.31%	1.06%	4.05%
RMBS	-0.11%	0.20%	3.49%
CMBS	-0.03%	0.29%	3.54%
ABS	0.10%	0.11%	3.07%
Agencies	-0.10%	0.11%	3.26%

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