



**MERGANSER**  
CAPITAL MANAGEMENT

# THE MERGANSER FLASH

## FIXED INCOME INSIGHTS

AS OF FEBRUARY 28, 2019

### Market Commentary

#### THE ECONOMY

- Markets remain calm into the new year on continued optimism that the Fed's patience on rates will serve as a tailwind. US economic data remains mixed, with potential shutdown impacts skewing data in addition to a notably weak retail sales report, offset by a firm employment environment. European growth concerns are top of mind after weak signals from Germany and continued Brexit discord.

#### STRUCTURED MARKETS

- The ABS primary market is off to a solid start in 2019 with approximately \$40bn of primary market issuance YTD including \$22.3bn MTD in February. Auto issuance continues to lead the primary market with about \$22.4bn YTD, though credit card issuance has picked up with \$8.5bn issued thus far. In fact, several credit card deals were upsized in response to strong demand from a deep investor base. The spread concession on primary issuance remains attractive versus the secondary market which has led to many oversubscribed deals at issuance. More broadly, secondary ABS spreads have tightened both on a year-to-date and month-to-date basis.

#### CORPORATE CREDIT MARKET

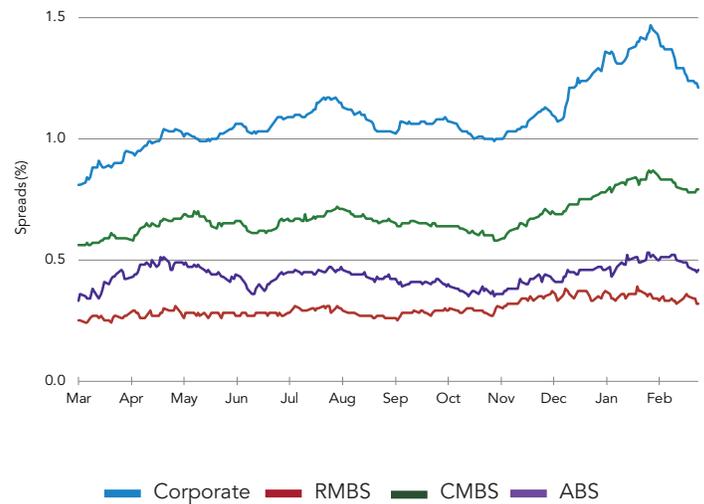
- Corporate spreads continued to rally during the month, albeit at a slower pace than January. The Bloomberg Barclays Corporate Index tightened 8 basis points (bps) to end at 121 bps through February. Total issuance jumped to \$103bn for the month, however, the increase in supply was well received by investors given de minimis new issue concessions.

#### GOVERNMENT MARKET

- The 2-yr and 5-yr yields increased by 6 bps and 8 bps, respectively, for the month of February. The 10-yr and 30-yr yields increased by 9 bps, each, for the month of February.

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#### SPREADS TO TREASURIES



#### BLOOMBERG BARCLAYS BENCHMARK DATA

|                      | Total Return MTD |
|----------------------|------------------|
| 1-3 Gov/Credit       | 0.16%            |
| Int. Gov/Credit      | 0.09%            |
| Aggregate            | -0.06%           |
| 1-3 Yr US Treasury   | 0.10%            |
| 3-5 Yr US Treasury   | -0.07%           |
| 5-10 Yr US Treasury  | -0.32%           |
| 10-20 Yr US Treasury | -0.65%           |
| 20+ Yr US Treasury   | -1.26%           |

#### SECTOR DATA FROM BLOOMBERG BARCLAYS AGGREGATE

|             | Total Return MTD | Excess Return* MTD | Current YTM |
|-------------|------------------|--------------------|-------------|
| Corporates  | 0.22%            | 0.59%              | 3.91%       |
| Financials  | 0.30%            | 0.55%              | 3.74%       |
| Industrials | 0.16%            | 0.58%              | 3.99%       |
| Utilities   | 0.29%            | 0.88%              | 4.00%       |
| RMBS        | -0.09%           | 0.06%              | 3.36%       |
| CMBS        | 0.41%            | 0.63%              | 3.28%       |
| ABS         | 0.28%            | 0.22%              | 2.91%       |
| Agencies    | 0.16%            | 0.28%              | 3.17%       |

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