



MERGANSER
CAPITAL MANAGEMENT

THE MERGANSER FLASH

FIXED INCOME INSIGHTS

AS OF APRIL 30, 2019

Market Commentary

THE ECONOMY

- Prospects for a trade deal improved along with continued affirmation of a supportive Fed, offsetting the potential to worry about European growth and continued success of disruptive politicians at the polls, driving risk assets higher. US economic data was largely strong during the month as stronger than expected 1Q growth and a rebound in retail sales supported the domestic economic picture. Looking forward, the sustainability of the effects of the fiscal stimulus from 2018 remains a key input in the future performance of the US economy and inflation.

STRUCTURED MARKETS

- The ABS primary market priced about \$28bn of issuance in April, bringing the YTD total ABS issuance up to about \$88.6bn. Auto ABS continues to lead the primary market with just under \$15bn of issuance in April. Demand for auto ABS senior and subordinated tranches continues to be very strong with deals consistently oversubscribed across the capital stack at issuance. This strong demand has been a tailwind for auto spreads to tighten through April. Most banks have not been issuing credit card ABS in the primary market as they are able to source cheaper funding outside of their credit card ABS channel. As a result, secondary spreads for credit card ABS have continued to tighten as well.

CORPORATE CREDIT MARKET

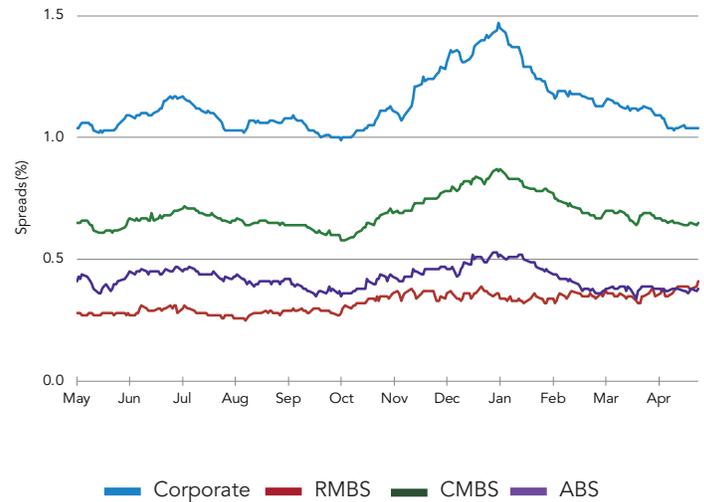
- The Bloomberg Barclays Corporate Index tightened 8 basis points (bps) to end at 111 bps through the April 30th. A favorable macro backdrop coupled with an accommodative Fed spurred a continuation of another month of credit spread tightening. With 1Q19 reporting more than halfway through, earnings surprised to the upside and were primarily driven by expense rationalization rather than topline growth. Primary volume came in at expectation with roughly \$94bn pricing during the month.

GOVERNMENT MARKET

- The 2-yr and 5-yr yields increased slightly by 1 bp and 5 bps, respectively, for the month of April. The 10-yr and 30-yr yields increased by 10 bps and 12 bps for the month of April.

This commentary has been distributed for informational purposes only and should not be considered as investment advice or a recommendation of any particular issuer, security, strategy or investment product. Information contained herein has been obtained from sources believed to be reliable, but not guaranteed. Opinions and estimates offered constitute our judgment and are subject to change without notice, as are statements of financial market trends, which are based on current market conditions. We believe the information provided here is reliable but do not warrant its accuracy or completeness. This commentary contains or incorporates by reference certain forward-looking statements which are based on various assumptions (some of which are beyond our control) may be identified by reference to a future period or periods or by the use of forward-looking terminology, such as "may," "will," "believe," "expect," "anticipate," "continue," or similar terms or variations on those terms or the negative of those terms. Actual results could differ materially from those set forth in forward-looking statements due to a variety of factors. No part of this article may be reproduced in any form, or referred to in any other publication, without the express written permission of Merganser Capital Management © 2019.

SPREADS TO TREASURIES



BLOOMBERG BARCLAYS BENCHMARK DATA

	Total Return MTD
1-3 Gov/Credit	0.23%
Int. Gov/Credit	0.19%
Aggregate	0.03%
1-3 Yr US Treasury	0.20%
3-5 Yr US Treasury	0.09%
5-10 Yr US Treasury	-0.22%
10-20 Yr US Treasury	-1.07%
20+ Yr US Treasury	-1.84%

SECTOR DATA FROM BLOOMBERG BARCLAYS AGGREGATE

	Total Return MTD	Excess Return* MTD	Current YTM
Corporates	0.54%	0.95%	3.60%
Financials	0.56%	0.75%	3.42%
Industrials	0.57%	1.05%	3.69%
Utilities	0.24%	0.98%	3.69%
RMBS	-0.06%	-0.01%	3.19%
CMBS	0.21%	0.31%	3.02%
ABS	0.26%	0.09%	2.67%
Agencies	0.20%	0.25%	2.90%

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