



**MERGANSER**  
CAPITAL MANAGEMENT

# THE MERGANSER FLASH

FIXED INCOME INSIGHTS

As of November 30, 2019

## MARKET COMMENTARY

### The Economy

November economic releases have done little to change the broader market sentiment. Favorable employment data kicked off the month, with the number of job additions over the past two months far exceeding market expectations. However, the employment data was followed by weaker than expected manufacturing sentiment, durable goods orders and retail sales figures. Meanwhile, US-China trade negotiations have shown little progress. Equity markets appear to like the status quo, with nearly all global equity indexes pushing upward and US indexes recording all-time highs.

### Structured Markets

The market's attention turns to the important holiday season which is always a litmus test for retail. November saw nearly \$5bn of conduit issuance, as borrowers took advantage of still very low rates ahead of year end, and \$2bn of single-borrower issuance, which is more fickle. YTD private sector supply is up approximately 10% while Agency supply is up only 3% but the final weeks of the year will be busy. Heavy supply of new issue conduit paper pushed spreads wider by approximately 5 basis points (bps) at AAA and 20 bps at BBB- level which also face relative value pressure given weakness in CLO mezz.

### Corporate Credit Market

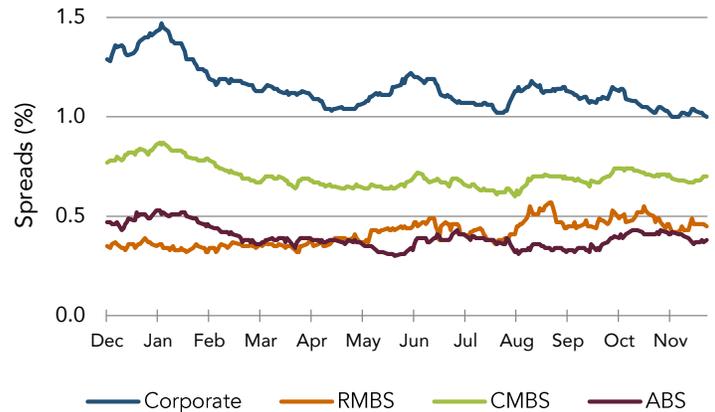
The Bloomberg Barclays Index tightened 4 bps to 105 bps in November. The toggling between positive/negative trade war headlines continued to move corporate spreads during the month, however, the likelihood of a phase one resolution by year-end will be contingent on whether an agreement can be met by December 15th (next round of tariffs). Primary issuance was surprisingly robust with \$99bn issued in the month, bringing YTD issuance to \$1.1tn (down 3% YoY). For reference, estimates for 2019 called for issuance to be 5-10% lower.

### Government Market

The 2-yr and 5-yr yields increased by 9 bps and 11 bps, respectively, for the month of November, while the 10-yr and 30-yr yields increased by 9 bps and 3 bps, respectively.

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## SPREADS TO TREASURIES



## BLOOMBERG BARCLAYS BENCHMARK DATA

	Total Return MTD
1-3 Yr Gov/Credit	0.00%
Int. Gov/Credit	-0.15%
Aggregate	-0.05%
1-3 Yr US Tsy	-0.04%
3-5 Yr US Tsy	-0.24%
5-10 Yr US Tsy	-0.55%
10-20 Yr US Tsy	-0.77%
20+ Yr US Tsy	-0.50%

## BLOOMBERG BARCLAYS AGGREGATE SECTOR DATA

	Total Return MTD	Excess Return* MTD	Current YTM
Corporates	0.25%	0.63%	2.89%
Financials	0.23%	0.55%	2.68%
Industrials	0.29%	0.69%	2.98%
Utilities	-0.01%	0.44%	3.00%
RMBS	0.08%	0.19%	2.53%
CMBS	-0.41%	-0.05%	2.40%
ABS	0.01%	0.07%	2.03%
Agencies	-0.15%	0.07%	2.34%

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