



### MARKET COMMENTARY

#### The Economy

The last month of this tumultuous year has brought a growing spike in COVID-19 cases across the nation and a high correlation with rising jobless claims in hard hit areas. The much-needed stimulus package is finally signed. The bill is tallied at \$900bn consisting of \$325bn in small business aid, an extension of federal unemployment benefit programs with an additional \$300 per week and lastly \$600 per person stimulus payments. Consumer metrics continued to slow in December with the first decline in retail sales since April and a decline in personal consumption. Durable goods orders decelerated sharply, reflecting a normalization of demand following the post lockdown surge. Inventory levels are still lean, indicating strong future demand. The housing market remains a bright spot yet a near term slowdown in new and existing home sales is reflecting decreased demand and tight inventory after months of rapid growth.

#### Structured Markets

The ABS primary market finished with light issuance in December of only \$4bn. Most notably, we saw a large US money center bank reemerge with a credit card ABS transaction in early December. This was the first credit card ABS deal from a major US bank issuer since February 2020. The ABS primary market finished 2020 with \$200bn of total issuance (down from \$247bn in 2019). Auto ABS issuance made up more than half of all ABS issuance with \$104bn of new deals in 2020. Spreads on the traditional ABS sub-sectors finished the year at or tighter than their pre-pandemic levels after significantly widening back in March to levels we have not seen since the Great Financial Crisis.

#### Corporate Credit Market

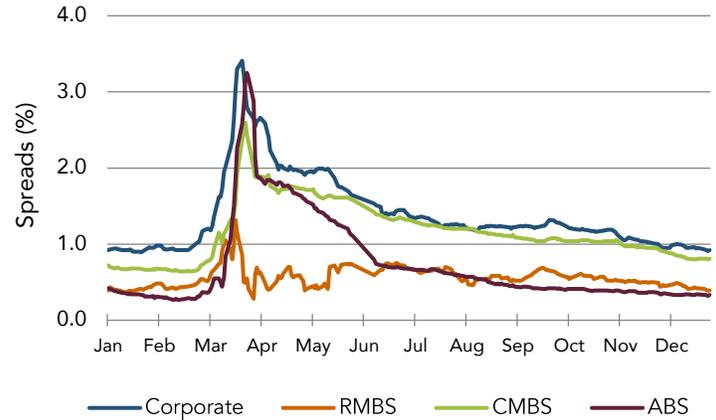
The Bloomberg Barclays Corporate Index tightened another 9 basis points (bps) to end the month at 96 bps. Despite the economic uncertainties unleashed by a global pandemic, the Index ended 2020 only 3 bps wider from the start of the year. Favorable financing conditions and ongoing appetite for risk mean that the primary issue market posted one of the best years to date with \$43bn in December and approximately \$1.8tn YTD (>50% growth YoY). Looking ahead, new issue volume for 2021 is expected to be more muted given the already high base and significant liability management exercises executed in 2020.

#### Government Market

The 2-yr yield decreased by 5 bps and the 5-yr yield decreased by 6 bps for the month of December, while the 10-yr and 30-yr yields decreased by 1 and 2 bps, respectively.

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### SPREADS TO TREASURIES



### BLOOMBERG BARCLAYS BENCHMARK DATA

	Total Return MTD
1-3 Yr Gov/Credit	0.09%
Int. Gov/Credit	0.21%
Aggregate	0.14%
1-3 Yr US Tsy	0.05%
3-5 Yr US Tsy	0.10%
5-10 Yr US Tsy	-0.08%
10-20 Yr US Tsy	-1.10%
20+ Yr US Tsy	-1.20%

### BLOOMBERG BARCLAYS AGGREGATE SECTOR DATA

	Total Return MTD	Excess Return* MTD	Current YTM
Corporates	0.44%	0.79%	1.79%
Financials	0.48%	0.66%	1.46%
Industrials	0.47%	0.88%	1.91%
Utilities	-0.02%	0.52%	2.11%
RMBS	0.22%	0.22%	1.25%
CMBS	0.73%	0.77%	1.28%
ABS	0.20%	0.15%	0.45%
Agencies	0.08%	0.12%	0.63%

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