



### MARKET COMMENTARY

#### The Economy

The start to 2021 has been a mix of near-term anxiousness and hopeful expectations as the nation works furiously toward herd immunity and the Biden administration takes office. Consumer confidence and retail sales have hit a slowdown, but consumer expectations increased on the heels of vaccine distribution and potential for more stimulus. The manufacturing sector remains resilient with core capital goods orders advancing from continued business orders and restocking demand. Housing starts and building permits increased the most in 15 years as record low existing home inventory levels weigh on housing affordability.

#### Structured Markets

CMBS issuance has been slow to start in 2021. Two conduit deals priced on the last day of January. Private label supply was down 15% y/o/y. Agency CMBS issuance was down a more modest 5%. Light supply, easy money and continued in-flows as the country anticipates a Spring 'reopening' have CMBS spreads tighter and the credit curve flatter. Hotels, which have been hurt the most stand to bounce back, while retail and office, which typically lag economic cycles by 12-18 months will take longer to recover this cycle given the rapid transformation those sectors are experiencing.

#### Corporate Credit Market

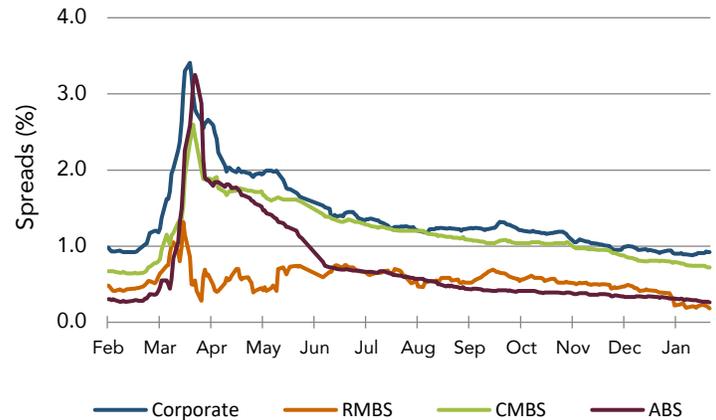
The Bloomberg Barclays Corporate Index widened 1 basis point (bps) to end at 96 bps for the month of January. Implications of a new Biden administration on various sectors and a decline in rates helped bring sellers out in the latter half of January. Primary issuance came in at \$133bn for the month, which indicates an 8% decline in y/o/y volume due to the high prior year base.

#### Government Market

The 2-yr yield decreased by 1 bp while the 5-yr yield increased by 6 bps for the month of January. The 10-yr and 30-yr yields increased by 15 and 18 bps respectively, in January.

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### SPREADS TO TREASURIES



### BLOOMBERG BARCLAYS BENCHMARK DATA

	Total Return MTD
1-3 Yr Gov/Credit	0.03%
Int. Gov/Credit	-0.28%
Aggregate	-0.72%
1-3 Yr US Tsy	0.03%
3-5 Yr US Tsy	-0.11%
5-10 Yr US Tsy	-0.74%
10-20 Yr US Tsy	-3.00%
20+ Yr US Tsy	-3.75%

### BLOOMBERG BARCLAYS AGGREGATE SECTOR DATA

	Total Return MTD	Excess Return* MTD	Current YTM
Corporates	-1.28%	0.03%	1.90%
Financials	-0.86%	-0.03%	1.55%
Industrials	-1.47%	0.01%	2.04%
Utilities	-1.47%	0.36%	2.22%
RMBS	0.08%	0.24%	1.20%
CMBS	-0.03%	0.47%	1.28%
ABS	0.14%	0.17%	0.38%
Agencies	-0.27%	0.07%	0.65%

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