



MARKET COMMENTARY

The Economy

Vaccine rollout continued across the nation in February. On the fiscal front, the \$1.9 trillion stimulus package, the “American Rescue Plan,” was approved by the House to end the month and now awaits Senate deliberation. The consumer was supported by additional stimulus in the latest retail sales figures, advancing after three straight months of decline. Consumer sentiment of current conditions improved while expectations receded slightly on job concerns. The manufacturing sector remains resilient though supply chain constraints remain a headwind and higher input costs are evident. The housing market continues to shine. Building permits increase to the highest pace in 15 years, however, record low existing home inventory levels weigh on housing affordability.

Structured Markets

The primary market for ABS picked up pace in February with \$26.7bn in new deals pricing. Auto ABS continues to lead the primary market with \$12.4bn of new issuance. Esoteric ABS also continues to show strong investor demand with \$7.2bn in new deals pricing. Most issuers have had the ability to increase the size of their offering and tighten spreads from initial indications on their issuance because of such strong investor demand. Spreads for secondary offerings in AAA rated ABS are mostly flat to modestly wider through February and YTD. Subordinate ABS tranches rallied tighter in January and were modestly tighter to flat through February.

Corporate Credit Market

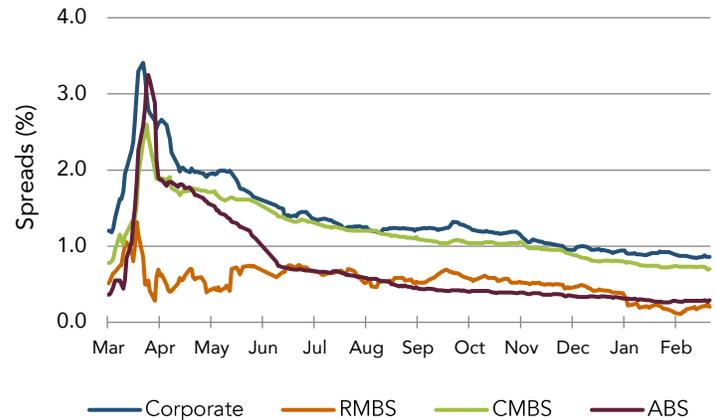
The Bloomberg Barclays Corporate Index tightened 7 basis points (bps) to end at 90 bps in February. The market’s reaction in the face of rising rates, tight valuations and ramp up in primary supply was muted as evidenced by the mild leakage in spreads towards the second half of the month. New issue volume came in at \$118bn, making this month the largest February of all time.

Government Market

The 2-yr yield increased by 2 bps while the 5-yr yield increased by 31 bps for the month of February. The 10-yr and 30-yr yields increased by 33 and 30 bps respectively, in February.

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SPREADS TO TREASURIES



BLOOMBERG BARCLAYS BENCHMARK DATA

| | Total Return MTD |
|-------------------|------------------|
| 1-3 Yr Gov/Credit | -0.03% |
| Int. Gov/Credit | -0.82% |
| Aggregate | -1.44% |
| 1-3 Yr US Tsy | -0.06% |
| 3-5 Yr US Tsy | -0.74% |
| 5-10 Yr US Tsy | -1.98% |
| 10-20 Yr US Tsy | -5.03% |
| 20+ Yr US Tsy | -5.70% |

BLOOMBERG BARCLAYS AGGREGATE SECTOR DATA

| | Total Return MTD | Excess Return* MTD | Current YTM |
|-------------|------------------|--------------------|-------------|
| Corporates | -1.72% | 0.65% | 2.09% |
| Financials | -1.14% | 0.54% | 1.71% |
| Industrials | -1.90% | 0.71% | 2.23% |
| Utilities | -2.55% | 0.61% | 2.45% |
| RMBS | -0.67% | -0.26% | 1.62% |
| CMBS | -1.19% | 0.05% | 1.50% |
| ABS | -0.14% | 0.03% | 0.45% |
| Agencies | -0.71% | 0.12% | 0.79% |

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