



MARKET COMMENTARY

The Economy

The month of March continued down the road to recovery with the \$1.9 trillion stimulus package, the “American Rescue Plan”, signed into law and the vaccine rollout advancing through age groups across the country. The consumer continues to be supported by additional stimulus, yet recent retail sales figures gave back the gains seen at the start of the year. Consumer sentiment of current conditions improved while expectations receded slightly on job concerns. The manufacturing sector remains resilient with strong orders, production and employment gains; however, supply chain constraints remain a headwind. The housing market continues to shine, though weather was to blame for decreased housing starts of late. Record low existing home inventory levels weigh on housing affordability.

Structured Markets

New issue non-Agency CMBS issuance has accelerated after a slow start to the year. The largest source of supply and growth is the CRE CLO market with \$4.6bn in March, and almost \$9bn YTD (+164% y/o/y). This is ahead of SASB (\$8.5bn) and conduit (\$6bn) and another sign of the ‘reach for yield’ in a low but rising rate environment and preference for floating product. Overall total private label issuance is down 7% y/o/y as property transaction volume remains low. Agency CMBS new issue volumes, with more stable fundamentals and a relatively liquid property market is up 46% y/o/y. New issue non-Agency spreads are 10-30 basis points (bps) wider from earlier this year but materially tighter than year ago levels while Agency spreads bounce around multi-year tights.

Corporate Credit Market

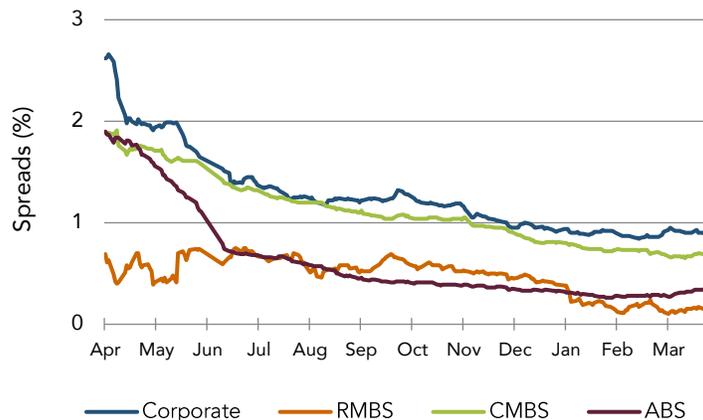
The Bloomberg Barclays Corporate Index widened 1 basis point to end at 91 bps in March. Despite supply chain snarls caused by a cargo ship stranding in the Suez Canal and limited lender exposure in a large family office margin call, strong risk appetite into quarter end drove significant tightening in the latter part of the month. On the new issue front, March primary volumes came in at \$191bn. Looking ahead to April, street estimates are calling for lighter issuance of approximately \$100bn.

Government Market

The 2-yr yield increased by 4 bps while the 5-yr yield increased by 24 bps for the month of March. The 10-yr and 30-yr yields increased by 32 and 22 bps respectively, in March.

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SPREADS TO TREASURIES



BLOOMBERG BARCLAYS BENCHMARK DATA

	Total Return MTD
1-3 Yr Gov/Credit	-0.05%
Int. Gov/Credit	-0.78%
Aggregate	-1.25%
1-3 Yr US Tsy	-0.03%
3-5 Yr US Tsy	-0.49%
5-10 Yr US Tsy	-1.80%
10-20 Yr US Tsy	-4.34%
20+ Yr US Tsy	-5.16%

BLOOMBERG BARCLAYS AGGREGATE SECTOR DATA

	Total Return MTD	Excess Return* MTD	Current YTM
Corporates	-1.72%	0.29%	2.31%
Financials	-1.56%	-0.15%	1.95%
Industrials	-1.66%	0.55%	2.43%
Utilities	-2.69%	-0.03%	2.70%
RMBS	-0.51%	0.17%	1.82%
CMBS	-1.12%	-0.04%	1.70%
ABS	-0.16%	-0.04%	0.54%
Agencies	-0.68%	0.02%	0.90%

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