



**MERGANSER**  
CAPITAL MANAGEMENT

# THE MERGANSER FLASH

## FIXED INCOME INSIGHTS

As of June 30, 2021

### MARKET COMMENTARY

#### The Economy

The June FOMC meeting sparked a bit of excitement this month as the dot plot turned more hawkish. The median now implies two rate hikes in 2023, no mention of tapering yet and upward revisions to 2021 growth (to 7%) and PCE forecasts (to 3.4%). New home sales fell unexpectedly during the month as shipping bottlenecks and higher input prices have held back project completions. Existing home sales have been decreasing due to lack of available inventory, though robust demand continues to exist in both markets. Retail sales have pulled back after the stimulus-induced months of March and April. Business investment is still positive, although moderating from previous months' highs in select pandemic-related categories. Manufacturing and Services PMI and ISM gauges remain at record highs despite supplier delivery delays, material shortages and labor constraints.

#### Structured Markets

June has been the busiest single month of new issue ABS YTD with \$31.8bn of new deals pricing. Autos continued to dominate new issue ABS with \$15.2bn in new deals having priced in June. Most notably, we saw the single largest ABS transaction of the year come to market to raise \$4bn as the deal sponsor works to emerge from Chapter 11 bankruptcy. Spreads on the main ABS sub-sectors were mostly unchanged in June, and most of the sub-sector ABS indices exhibited modestly positive excess returns.

#### Corporate Credit Market

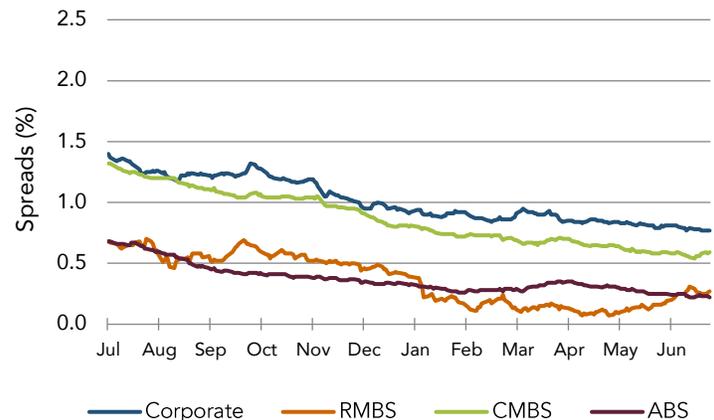
Despite the Fed's hawkish tone in the most recent Fed meeting, corporate credit spread reaction was muted in June. The Bloomberg Barclays Corporate Index tightened 4 basis points (bps) to end at 80 bps for the month of June. New issuance came in at \$126bn, ahead of estimated supply of \$90-100bn for the month. The street is calling for roughly \$75bn in primary supply for the month, below the average for what is already a slower month for primary market activity.

#### Government Market

The 2-yr and 5-yr yields increased by 11 bps and 9 bps respectively for the month of June. The 10-yr yield decreased by 13 bps and the 30-yr yield decreased by 20 bps, in June.

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### SPREADS TO TREASURIES



### BLOOMBERG BARCLAYS BENCHMARK DATA

	Total Return MTD
1-3 Yr Gov/Credit	-0.15%
Int. Gov/Credit	0.08%
Aggregate	0.70%
1-3 Yr US Tsy	-0.17%
3-5 Yr US Tsy	-0.40%
5-10 Yr US Tsy	0.37%
10-20 Yr US Tsy	2.96%
20+ Yr US Tsy	3.77%

### BLOOMBERG BARCLAYS AGGREGATE SECTOR DATA

	Total Return MTD	Excess Return* MTD	Current YTM
Corporates	1.63%	0.50%	2.08%
Financials	0.95%	0.34%	1.75%
Industrials	1.93%	0.60%	2.20%
Utilities	1.98%	0.32%	2.43%
RMBS	-0.04%	-0.36%	1.77%
CMBS	0.20%	0.05%	1.49%
ABS	-0.02%	0.06%	0.44%
Agencies	0.17%	0.03%	0.86%

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