



MARKET COMMENTARY

The Economy

The US economy continued to show resilience amid a fourth COVID surge, intensifying supply bottlenecks and uncertainty around inflationary pressures. Non-farm payroll data for July was strong. 943k jobs were added, yet the participation rate remains stubbornly low, increasing only 0.10%. Existing home sales increased for the second time in six months as housing inventory increased slightly to meet continued robust demand. Retail sales had a disappointing month as consumers are shifting to spending on services. Manufacturing PMI and ISM gauges remain at record highs. Service sector PMI data, although still historically elevated, pulled back in August given labor constraints and high input costs leading to weaker business expectations. In general, economic data broadly showed continued strength in August despite recurrent headwinds of labor and supply shortages creating delays and production backlogs.

Structured Markets

The ABS primary market saw another solid month of issuance, with \$22.7bn of new deals pricing through August. The bulk of new issue ABS in August came in Autos with \$9.8bn and Esoteric ABS with \$8.5bn of new deals pricing. Esoteric ABS deals continue to see strong demand from investors striving for incremental yield outside of the traditional ABS sub sectors. Secondary spreads across the major ABS sectors were flat or modestly tighter through August.

Corporate Credit Market

Fears around the spiking Delta variant and further evidence of a near-term liftoff of Fed balance sheet tapering widened spreads intramonth but continued strong technicals brought spreads back to nearly unchanged for August as the Bloomberg Barclays Corporate Index widened by 1 basis point (bp) to end at 87 bps. New issuance came in at \$91bn month to date, in line with an estimated supply of \$90bn for the month. The street is calling for roughly \$130bn in primary supply for September.

Government Market

The 2-yr and 5-yr yields increased by 3 bps and 9 bps respectively for the month of August. The 10-yr yield increased by 9 bps while the 30-yr yield increased by 4 bps in August.

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SPREADS TO TREASURIES



BLOOMBERG BARCLAYS BENCHMARK DATA

	Total Return MTD
1-3 Yr Gov/Credit	0.00%
Int. Gov/Credit	-0.16%
Aggregate	-0.19%
1-3 Yr US Tsy	-0.01%
3-5 Yr US Tsy	-0.18%
5-10 Yr US Tsy	-0.36%
10-20 Yr US Tsy	-0.20%
20+ Yr US Tsy	-0.21%

BLOOMBERG BARCLAYS AGGREGATE SECTOR DATA

	Total Return MTD	Excess Return* MTD	Current YTM
Corporates	-0.30%	-0.05%	2.03%
Financials	-0.18%	0.04%	1.70%
Industrials	-0.33%	-0.07%	2.14%
Utilities	-0.55%	-0.27%	2.37%
RMBS	-0.16%	-0.03%	1.71%
CMBS	-0.18%	0.07%	1.41%
ABS	-0.01%	0.03%	0.47%
Agencies	-0.08%	0.05%	0.74%

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