



MARKET COMMENTARY

Fixed Income Market Summary

Fixed income markets were inundated with supply during September as issuers rushed to take advantage of cheap financing and orderly markets. ABS primary issuance was \$17bn led by the auto sector (\$11bn), and investment grade corporate issuance hit an all-time daily record, with 21 deals coming to market on September 8th. Strong demand for risk drove spreads tighter across IG sectors except for ABS, which widened slightly at 1 basis point (bp) for the month. Inflationary concerns drove yields higher, compounded by a surge in energy prices towards month end. Brent Crude rose to \$79.27 a barrel, the highest level since October 2018, and the yield on the 10-year Treasury rose above 1.5% (a 3-month high). Investment grade fixed income total returns were negative for the month given rising yields, while excess returns were generally positive.

Structured Markets

Structured products saw mixed results in September, but generally outperformed. Spreads across most structured products tightened, except for ABS where spreads were generally flat through the month. All major structured sub sectors generated positive excess returns in September. Non-agency CMBS was a notable outperformer for the month, aided by 35 bps of spread tightening in subordinated tranches.

Corporate Credit Market

New issuance (\$164bn MTD vs. ~\$150bn estimated) has been easily digested by the market, reinforcing an insatiable demand for yield. Utilities produced 46 bps of excess returns, while Industrials and Financials returned 26 bps and 21 bps, respectively. In a reversal from August, corporate spreads tightened 3 bps to end the month at 88 bps. M&A activity increased, especially in the Pharma sector, and is expected to continue.

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SPREADS TO TREASURIES



TREASURY YIELD CURVE CHANGES

	Current YTM	Change From Previous Month
3 Month	0.03%	-0.00%
1 Year	0.07%	+0.01%
2 Year	0.28%	+0.07%
3 Year	0.51%	+0.10%
5 Year	0.97%	+0.19%
10 Year	1.49%	+0.18%
30 Year	2.05%	+0.11%

BLOOMBERG BARCLAYS AGGREGATE SECTOR DATA

	Total Return MTD	Excess Return* MTD	Current YTM
Corporates	-1.05%	0.26%	2.15%
Financials	-0.77%	0.21%	1.83%
Industrials	-1.18%	0.26%	2.27%
Utilities	-1.18%	0.46%	2.49%
RMBS	-0.36%	0.24%	1.83%
CMBS	-0.77%	0.02%	1.57%
ABS	-0.15%	0.03%	0.57%
Agencies	-0.52%	-0.02%	0.86%

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