



MARKET COMMENTARY

Fixed Income Market Summary

Investment grade fixed income total returns were negative for the second consecutive month in October, driven by higher rates which averaged 9 basis points (bps) across the curve. Excess returns for the spread sectors were mixed, with some pockets of outperformance. Corporate credit subsectors outperformed like-duration Treasuries with the exception of financials (-13 bps excess). On the whole, corporates were flat for the month. The government-related subsector was also flat, with excess returns in sovereign credit (+23 bps) retraced by negative returns in agencies (-11 bps) and supranationals (-11 bps). In securitized, CMBS contributed to outperformance versus like-duration Treasuries (+6 bps), RMBS was flat and ABS was modestly negative (-7 bps).

Structured

Structured products saw mixed results in October, but generally outperformed except for ABS where spreads were flat to slightly wider in credit cards, autos, equipment, and student loans. Appetite for ABS remains strong and new deals continue to be heavily oversubscribed. A deluge of supply in the CMBS market led to deal fatigue amongst IG investors and excess returns were more muted for the month, whereas RMBS spreads tightened, generating returns comparable to Treasuries.

Corporate Credit

Credit spreads remain range bound with the IG Corporate index widening 3 bps, closing the month at 87 bps. Issuance outpaced estimated supply of \$90bn for the month led by financials. At \$121bn, 2021 issuance set a record for October monthly volumes, beating the prior record of \$118bn set in 2017. Financials accounted for two-thirds of total supply for the month.

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SPREADS TO TREASURIES



TREASURY YIELD CURVE CHANGES

	Current YTM	Change From Previous Month
3 Month	0.05%	0.02%
1 Year	0.12%	0.05%
2 Year	0.50%	0.22%
3 Year	0.75%	0.25%
5 Year	1.18%	0.22%
10 Year	1.55%	0.07%
30 Year	1.93%	-0.11%

BLOOMBERG BARCLAYS AGGREGATE SECTOR DATA

	Total Return MTD	Excess Return* MTD	Current YTM
Corporates	0.25%	0.00%	2.26%
Financials	-0.23%	-0.13%	1.99%
Industrials	0.42%	0.04%	2.36%
Utilities	0.75%	0.18%	2.52%
RMBS	-0.19%	-0.01%	1.89%
CMBS	-0.39%	0.06%	1.72%
ABS	-0.35%	-0.07%	0.84%
Agencies	-0.40%	-0.11%	1.04%

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