



MARKET COMMENTARY

Fixed Income Market Summary

Investment grade fixed income total returns were positive for the month of November with the Bloomberg US Aggregate Index returning 0.3%. The curve flattened, as short rates rose and intermediate to longer rates fell. As a sign the market is softening, spreads collectively widened across sectors. The government-related sector was least impacted by spread moves, generating returns flat to Treasuries. Corporates lagged Treasuries by 89 basis points (bps) and structured lagged by 46 bps.

Structured

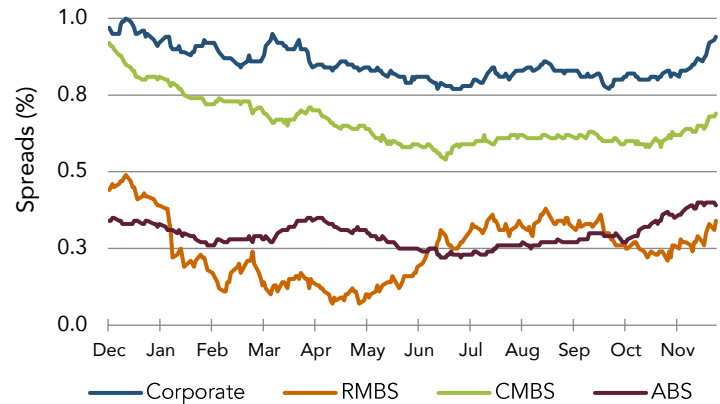
Structured products saw mixed results in November, but generally underperformed with certain exceptions in floating rate credit cards and lower quality short CMBS. Spreads widened between 5-12 bps across sectors. Appetite for ABS remains strong and new deals continue to be heavily oversubscribed. ABS spreads widened but to a lesser degree than MBS and CMBS. Another strong month for supply in the CMBS market and net selling amongst investors led to spread widening of 8-10 bps in the sector. RMBS was the worst performing structured subsector, returning -46 bps versus like-duration Treasuries.

Corporate Credit

Corporate bonds underperformed like-duration Treasuries in November. Credit spreads widened 11 bps, closing the month at 99 bps. Issuance during November outpaced estimates of \$90bn, reaching \$111bn. M&A-related financings drove a significant portion of the supply and remain a potential wildcard for issuance in December and January.

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SPREADS TO TREASURIES



TREASURY YIELD CURVE CHANGES

	Current YTM	Change From Previous Month
3 Month	0.05%	+0.00%
1 Year	0.22%	+0.10%
2 Year	0.57%	+0.07%
3 Year	0.84%	+0.08%
5 Year	1.16%	-0.02%
10 Year	1.44%	-0.11%
30 Year	1.79%	-0.14%

BLOOMBERG AGGREGATE SECTOR DATA

	Total Return MTD	Excess Return* MTD	Current YTM
Corporates	0.06%	-0.89%	2.31%
Financials	0.03%	-0.56%	2.06%
Industrials	0.05%	-1.04%	2.41%
Utilities	0.26%	-1.05%	2.56%
RMBS	-0.09%	-0.46%	1.94%
CMBS	-0.09%	-0.42%	1.79%
ABS	-0.07%	-0.09%	0.96%
Agencies	0.15%	-0.08%	1.08%

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