



MARKET COMMENTARY

Fixed Income Market Summary

January was a turbulent month, marked by the Fed's meeting last week in which officials confirmed a shifting tone on inflation and signaled the potential need for increasingly aggressive measures to curb further price increases. In fixed income markets, this translated to rising yields, and the Fed's hawkish messaging also weighed on spreads as investors prepare for the possibility of four or more rate hikes this year. The Bloomberg Aggregate Index was down 2.15% in January.

Structured

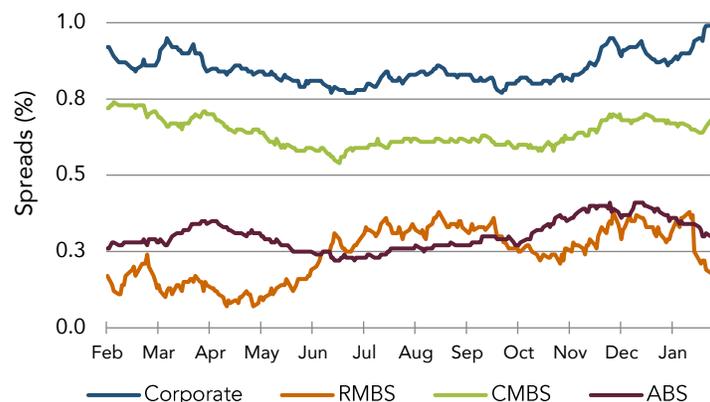
Structured product returns were mixed but generally held in compared to corporates. High quality ABS, which tends to be a safe haven sector, benefitted by being shorter duration relative to the opportunity set and subordinate tranches were well supported by strong fundamentals. Low ABS supply for the month also provided a healthy technical backdrop. CMBS performed in line with Treasuries, lagging the widening in other higher beta spread sectors, and RMBS was down slightly. CMBS supply was in line with expectations for January and is expected to increase in February.

Corporate Credit

Corporate bonds saw significant widening and underperformed by more than 100 bps across most sectors, with shorter duration financials outperforming. At these levels, corporate spreads are trading at the widest bounds relative to the past year, but still inside long-term historical averages. For the month, supply of \$146bn outpaced expectations of \$135bn, but slowed in the final week, following the equity market's selloff. Early expectations are for February supply to be below January and below seasonal averages.

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SPREADS TO TREASURIES



TREASURY YIELD CURVE CHANGES

	Current YTM	Change From Previous Month
3 Month	0.18%	+0.15%
1 Year	0.77%	+0.40%
2 Year	1.18%	+0.45%
3 Year	1.38%	+0.42%
5 Year	1.61%	+0.35%
10 Year	1.78%	+0.27%
30 Year	2.11%	+0.21%

BLOOMBERG AGGREGATE SECTOR DATA

	Total Return MTD	Excess Return* MTD	Current YTM
Corporates	-3.37%	-1.15%	2.80%
Financials	-2.60%	-0.82%	2.57%
Industrials	-3.71%	-1.33%	2.88%
Utilities	-3.75%	-1.12%	3.04%
RMBS	-1.48%	-0.12%	2.25%
CMBS	-1.59%	-0.02%	2.24%
ABS	-0.56%	0.20%	1.44%
Agencies	-1.26%	-0.07%	1.56%

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