

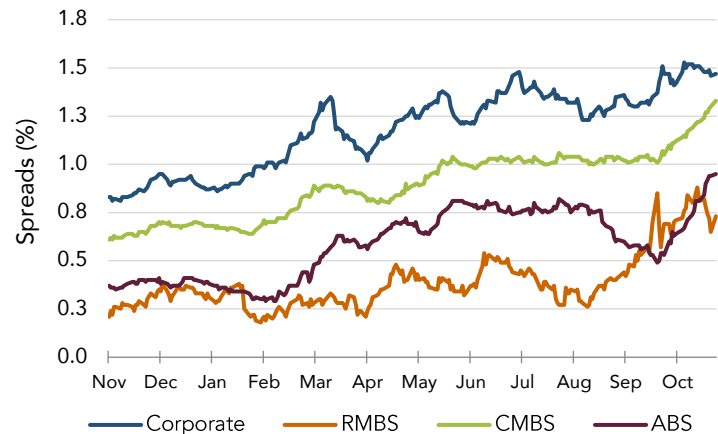


### MARKET COMMENTARY

- US Treasury yields continued to climb higher in October as economic data indicated persistent inflation and a resilient labor market. Market participants are anticipating that the Fed will continue its aggressive tightening of monetary policy, with a target rate increase of 75 basis points at the November meeting.
- Investment Grade spread sectors experienced another choppy month. Corporate credit spreads were up and down, ultimately ending the month one basis point tighter. Industrial spreads tightened the most, led by energy. Financial spreads widened, particularly those of REITs and banks. Banks continued to issue new deals at attractive levels, pushing spreads for secondary paper wider.
- Quarterly earnings are showing resilient third quarter results coupled with weaker outlooks, illustrating the effects of cost inflation and recessionary concerns across the economy. Consumer purchasing patterns are demonstrating increased elasticity, while corporations push for higher pricing and cost controls to preserve margins. Companies are expecting this environment to continue into the first half of 2023 and are cautious on demand, cash flow and earnings outlooks. Earnings also reflect concerns regarding foreign exchange and the increasingly strong US dollar.
- It was a challenging month for the securitized sub-sectors. After defying gravity during the second quarter, ABS spreads widened due to concerns regarding a recession and its potential effects on consumer balance sheets, reducing investor appetite and liquidity in the space. Agency RMBS spreads leaked wider amid further interest rate volatility.
- The CMBS market remains challenged by interest rate volatility and fund outflows. These technical challenges are coupled with the fundamental challenges facing the office and retail segments, straining demand. Higher financing rates on lower values have buyers and sellers at a standstill, causing new issue activity to remain low.

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### SPREADS TO TREASURIES



Source: Bloomberg

### TREASURY YIELD CHANGES

	YTM	Change From Previous Month
3 Month	4.06%	+0.81%
1 Year	4.60%	+0.67%
2 Year	4.48%	+0.20%
3 Year	4.44%	+0.15%
5 Year	4.23%	+0.14%
10 Year	4.05%	+0.22%
30 Year	4.16%	+0.39%

Source: Bloomberg

### BLOOMBERG SECTOR PERFORMANCE

	Total Return MTD	Excess Return* MTD	YTM
Corporates	-1.03%	0.60%	5.92%
Financials	-0.98%	0.00%	6.17%
Industrials	-0.97%	0.94%	5.79%
Utilities	-1.70%	0.60%	5.88%
RMBS	-1.42%	-0.29%	5.11%
CMBS	-1.60%	-1.01%	5.65%
ABS	-0.84%	-0.72%	5.45%
Agencies	-0.71%	-0.27%	4.76%

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