

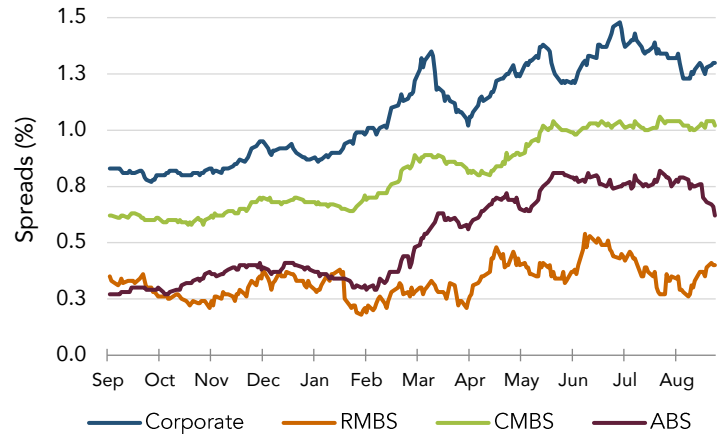


MARKET COMMENTARY

- US Treasury yields continued their ascent higher during August in response to stronger than expected employment data and commentary from Fed Chair Powell confirming that the Fed is committed to taming inflation, even if doing so may cause economic harm.
- July CPI data in the US came in below expectations, suggesting that scorching levels of inflation may be in the “early innings” of cooling.
- Within investment grade spread sectors, corporate credit outperformed as investors sought to add paper at attractive yields, driving spreads tighter. Spreads for financials tightened the most, followed by utilities. A significant amount of new issue supply during August was met with strong demand.
- Interest rate volatility wreaked havoc on Agency RMBS, which drastically underperformed during the month. The underperformance was exacerbated by the flat/inverted yield curve.
- Following an industry conference in late July, demand for ABS increased and spreads tightened. Limited new issue supply was gobbled up and deals were oversubscribed throughout the capital stack.
- CMBS spreads were generally sideways during the month. In CMBS, delinquencies in the office sector are still quite low, demonstrating the significant time lag between cause and effect in the CMBS market.

This commentary has been distributed for informational purposes only and should not be considered as investment advice or a recommendation of any particular issuer, security, strategy or investment product. Information contained herein has been obtained from sources believed to be reliable, but not guaranteed. Opinions and estimates offered constitute our judgment and are subject to change without notice, as are statements of financial market trends, which are based on current market conditions. We believe the information provided here is reliable but do not warrant its accuracy or completeness. This commentary contains or incorporates by reference certain forward-looking statements which are based on various assumptions (some of which are beyond our control) may be identified by reference to a future period or periods or by the use of forward-looking terminology, such as “may,” “will,” “believe,” “expect,” “anticipate,” “continue,” or similar terms or variations on those terms or the negative of those terms. Actual results could differ materially from those set forth in forward-looking statements due to a variety of factors. No part of this article may be reproduced in any form, or referred to in any other publication, without the express written permission of Merganser Capital Management © 2022.

SPREADS TO TREASURIES



Source: Bloomberg Index Data

TREASURY YIELD CHANGES

	YTM	Change From Previous Month
3 Month	2.90%	+0.58%
1 Year	3.48%	+0.60%
2 Year	3.49%	+0.61%
3 Year	3.52%	+0.71%
5 Year	3.35%	+0.68%
10 Year	3.19%	+0.54%
30 Year	3.29%	+0.28%

Source: Bloomberg Index Data

BLOOMBERG SECTOR PERFORMANCE

	Total Return MTD	Excess Return* MTD	YTM
Corporates	-2.93%	0.08%	4.82%
Financials	-2.29%	0.24%	4.87%
Industrials	-3.26%	-0.04%	4.79%
Utilities	-3.19%	0.30%	4.85%
RMBS	-3.42%	-1.00%	3.96%
CMBS	-2.55%	0.00%	4.41%
ABS	-0.66%	0.27%	4.12%
Agencies	-1.72%	-0.05%	3.71%

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