

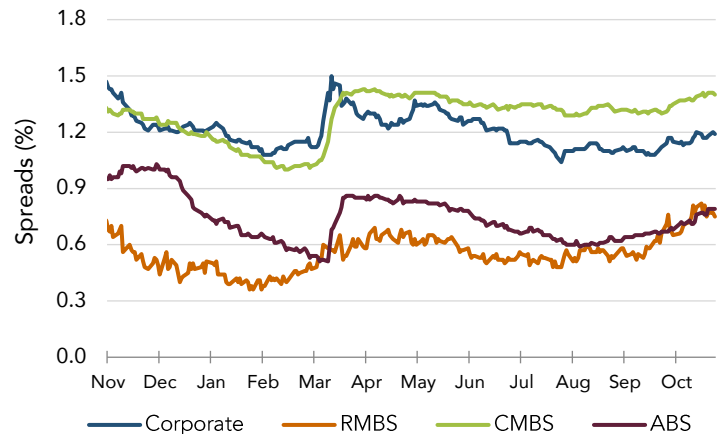


### MARKET COMMENTARY

- US Treasury (UST) yields, particularly out the curve, continued to climb higher in October, driven by strong economic growth and increased supply. Market participants struggled to discern whether the move higher is enough for the Federal Reserve (Fed) to be “done”, or if strong economic data warrants further rate increases. The 10-year and 30-year yields increased by 36 and 39 basis points (bps), respectively.
- Among spread sectors, risk-off sentiment prevailed in October. Interest rate volatility, geopolitical tensions, domestic political gridlock, and waning US consumer confidence all pushed spreads for risk-bearing securities wider. Among corporate credit, utilities underperformed USTs the most, followed by financials and industrials. Third quarter bank earnings generally met or beat expectations, but bank spreads widened due to the general risk-off sentiment and increased issuance by the money centers and super-regionals. Industrial spreads widened from the extremely tight level they reached in September.
- Among structured sectors, Agency RMBS underperformed USTs the most. The sector was hampered by continued interest rate volatility and a marked decrease in demand, with the Fed, asset managers, banks, and overseas investors all decreasing participation in the market.
- ABS issuance continued to be relatively heavy with approximately \$26.4 billion of new deals pricing. The large amount of issuance in the last sixty days saturated the market slightly and pushed spreads wider. Performance relative to USTs was aided, however, by the sector’s shorter duration and higher quality bias.
- CMBS also underperformed USTs, with spreads for both Agency and Non-Agency paper widening. Commercial real estate owners are in a holding pattern in response to higher rates and spreads. This continues to suppress transaction volume and draws the limited demand for fixed rate loans towards shorter loan terms.

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### SPREADS TO TREASURIES



Source: Bloomberg

### TREASURY YIELD CHANGES

	YTM	Change From Previous Month
3 Month	5.46%	+0.02%
1 Year	5.45%	+0.00%
2 Year	5.09%	+0.04%
3 Year	4.93%	+0.13%
5 Year	4.85%	+0.25%
10 Year	4.93%	+0.36%
30 Year	5.09%	+0.39%

Source: Bloomberg

### BLOOMBERG SECTOR PERFORMANCE

	Total Return MTD	Excess Return* MTD	YTM
Corporates	-1.87%	-0.34%	6.35%
Financials	-1.31%	-0.42%	6.58%
Industrials	-2.09%	-0.29%	6.21%
Utilities	-2.59%	-0.43%	6.38%
RMBS	-2.07%	-0.64%	5.93%
CMBS	-0.89%	-0.33%	6.42%
ABS	-0.16%	-0.21%	5.92%
Agencies	-0.22%	-0.02%	5.32%

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