

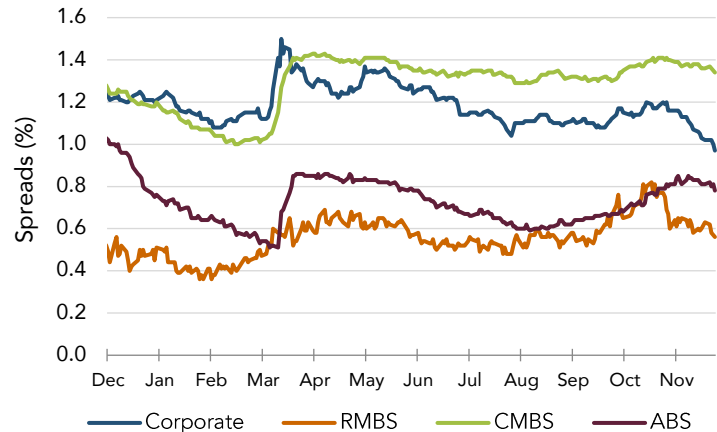


MARKET COMMENTARY

- Risk-on market sentiment prevailed in November following the release of softer than expected inflation data for October. Equities surged higher and US Treasury (UST) yields rallied. The 2-year, 10-year, and 30-year UST yields decreased by 41, 60 and 60 basis points (bps), respectively. In investment grade fixed income, spreads generally tightened and risk-bearing securities outperformed USTs. Fed Funds futures are now pricing in 5 rate cuts next year despite Fed officials continuing to indicate that rates will remain “higher for longer”.
- Among corporate credit, industrials outperformed the most, followed by financials and utilities. Across corporate subsectors, Fed expectations and decreased issuance overwhelmed concerns regarding a softening US consumer and geopolitical tensions, pulling spreads tighter. Banks, particularly regionals, benefitted from the rate rally, which partially mitigated unrealized losses on “available for sale” balance sheet holdings.
- Among structured sectors, Agency RMBS outperformed USTs the most. Lower interest rates and decreased volatility attracted investors, causing spreads to tighten significantly across the coupon stack.
- CMBS also outperformed USTs. Both Non-Agency and Agency spreads tightened by several bps, but the rally could not keep pace with other credit sectors given commercial real estate headwinds. Increased issuance continued, with several 5-year conduit deals and a 3-year Single Borrower deal pricing. The hope that the Fed is done hiking has not yet translated to improved conditions for commercial real estate, as more clarity on asset prices is needed first.
- ABS outperformed USTs. Spreads across ABS subsectors tightened, led by auto loans and credit cards. After a busy start to the month, the new issue market slowed considerably. We expect this to continue for the remainder of the year, creating a positive technical for spreads given the strong investor appetite for high-quality ABS.

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SPREADS TO TREASURIES



Source: Bloomberg

TREASURY YIELD CHANGES

	YTM	Change From Previous Month
3 Month	5.39%	-0.07%
1 Year	5.12%	-0.33%
2 Year	4.68%	-0.41%
3 Year	4.44%	-0.48%
5 Year	4.27%	-0.59%
10 Year	4.33%	-0.60%
30 Year	4.49%	-0.60%

Source: Bloomberg

BLOOMBERG SECTOR PERFORMANCE

	Total Return MTD	Excess Return* MTD	YTM
Corporates	5.98%	2.05%	5.61%
Financials	4.85%	1.83%	5.80%
Industrials	6.53%	2.21%	5.49%
Utilities	6.67%	1.78%	5.68%
RMBS	5.21%	1.33%	5.26%
CMBS	3.06%	0.46%	5.87%
ABS	1.71%	0.23%	5.50%
Agencies	2.11%	0.17%	4.90%

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