

Sector Returns

Bloomberg Barclays Stable Income Market Index (SIMI)

September 2018

Total Return	2018												2017
	Sep	Aug	Jul	Jun	May	Apr	Mar	Feb	Jan	Dec	Nov	Oct	Sep
Treasury	-29	43	-10	-1	49	-36	33	-13	-59	-1	-29	-10	-34
Government-Related	-13	41	2	5	41	-26	24	-16	-42	0	-23	-4	-24
Agency	-10	40	2	4	42	-24	22	-14	-36	1	-22	-4	-22
Local Authority	-16	49	-1	5	53	-33	26	-14	-50	3	-25	-3	-24
Sovereign	11	35	42	27	-7	-33	22	-40	-43	-7	4	-3	-12
Supranational	-19	41	-2	4	44	-27	26	-14	-50	-1	-30	-6	-30
Corporate	-8	52	27	-9	46	-8	4	-40	-43	13	-33	11	-11
Industrial	-7	50	27	-10	50	-11	8	-39	-43	14	-38	10	-9
Basic Industry	-2	47	27	1	49	-26	14	-39	-34	9	-26	17	-18
Capital Goods	-16	55	20	-6	57	-8	3	-39	-53	9	-38	9	-18
Consumer Cyclical	-3	40	17	-14	52	-7	8	-39	-47	12	-34	17	-8
Consumer Non-Cyclical	-8	50	31	-11	50	-12	6	-38	-44	14	-38	-2	-7
Energy	-5	53	32	-9	54	-5	3	-45	-32	14	-31	25	-3
Technology	-10	50	25	-8	46	-12	20	-34	-45	18	-49	3	-12
Transportation	-12	52	18	-8	51	-20	0	-29	-45	4	-28	12	-16
Communications	0	60	36	-18	38	-9	2	-41	-40	20	-46	20	-3
Utility	-9	49	18	-4	55	-14	-7	-32	-41	5	-26	17	-15
Electric	-8	48	18	-4	55	-14	-7	-33	-42	5	-26	17	-15
Natural Gas	-18	55	15	-10	57	-23	-4	-21	-27	4	-25	24	-9
Financial Institutions	-9	55	27	-7	40	-5	0	-42	-44	11	-26	12	-13
Banking	-8	54	28	-8	37	-2	0	-44	-45	11	-25	11	-12
Brokerage	-11	51	16	-3	54	-13	3	-29	-36	3	-27	13	-11
Finance Companies	-2	59	40	-13	40	2	-5	-40	-43	7	-45	21	2
Insurance	-15	55	26	-6	56	-11	0	-37	-45	11	-31	14	-23
REITS	-16	72	13	2	58	-38	-5	-24	-46	14	-15	26	-16
Securitized	-36	59	-10	1	53	-36	51	-46	-87	18	-32	-1	-34
MBS Passthrough	-45	60	-18	3	53	-42	62	-51	-100	22	-37	-5	-32
ABS	-3	42	11	4	39	-3	17	-26	-28	1	-11	5	-20
Credit Card	-9	45	9	4	39	-7	19	-31	-36	2	-14	4	-28
Auto Loan	2	38	12	5	38	1	14	-20	-19	0	-8	6	-13
CMBS	-29	70	7	-8	66	-40	30	-38	-78	12	-29	15	-59
Non Agency CMBS	-25	75	6	-8	65	-34	27	-44	-69	12	-38	22	-59
Agency CMBS	-35	64	8	-8	66	-47	33	-31	-88	12	-20	7	-59

Despite predominately negative returns for September, all sectors and subsectors of the SIMI posted positive returns for the 3rd quarter, with the exception of MBS Passthrough bonds, which posted -2 bps for the quarter.

Corporate bonds posted the highest returns of the Index for the quarter with Finance Companies at 97 bps, followed by Communications at 96 bps. After MBS Passthrough bonds at -2 bps, Treasuries were the worst performer for the quarter at 5 bps.

Sector and subsector returns for July and August were predominately positive, averaging 3 bps and 55 bps, respectively. Returns for September were negative, at an average of -24 bps, with the exception of Sovereign Government-Related and Auto Loan Securitized bonds, which posted the only positive returns for September at 11 and 2 bps, respectively.

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Option Adjusted Spreads (OAS) by Sector

Bloomberg Barclays Stable Income Market Index (SIMI)

September 2018

OAS	2018 Sep	Aug	Jul	Jun	May	Apr	Mar	Feb	Jan	Dec	Nov	Oct	2017 Sep
Treasury	0	0	-1	-1	-1	-1	-1	0	0	1	0	0	0
Government-Related	20	22	21	23	24	21	22	22	19	22	21	21	22
Agency	19	20	20	22	22	20	20	20	18	21	20	20	21
Local Authority	37	39	40	41	37	37	37	37	38	40	39	41	44
Sovereign	60	63	57	72	80	58	57	53	38	39	34	44	46
Supranational	13	15	14	16	17	15	17	16	15	17	16	16	17
Corporate	62	68	68	77	71	68	75	64	52	56	58	55	61
Industrial	58	63	63	73	67	65	71	61	50	55	58	53	58
Basic Industry	67	76	73	82	78	74	75	67	58	66	65	66	72
Capital Goods	51	53	54	62	58	59	66	56	46	48	50	45	51
Consumer Cyclical	62	70	64	71	66	68	72	62	52	54	56	53	60
Consumer Non-Cyclical	54	60	60	72	66	63	69	59	47	54	56	51	53
Energy	63	68	69	80	75	73	81	69	55	60	66	61	69
Technology	50	55	54	64	55	55	61	56	46	50	54	47	50
Transportation	57	62	62	70	66	63	66	53	47	50	50	49	57
Communications	67	75	78	90	80	74	81	67	56	62	67	61	69
Utility	64	69	69	76	71	71	76	62	53	58	58	55	64
Electric	63	69	68	75	71	71	76	62	53	57	57	55	63
Natural Gas	72	77	78	85	77	77	77	64	57	64	62	59	71
Financial Institutions	68	73	74	83	78	72	80	68	55	57	59	58	64
Banking	67	71	72	82	76	70	79	67	53	55	57	56	61
Brokerage	62	67	63	70	67	68	74	62	55	60	60	59	65
Finance Companies	99	104	107	121	112	99	108	94	79	82	83	74	84
Insurance	65	69	66	77	69	69	75	63	54	59	60	59	66
REITS	84	89	92	96	94	92	89	74	68	74	74	77	87
Securitized	28	29	29	30	28	27	29	29	23	22	24	21	23
MBS Passthrough	24	24	23	22	21	20	21	23	18	16	18	13	14
ABS	33	37	38	43	41	40	44	42	30	32	31	34	39
Credit Card	33	36	37	42	40	38	43	40	30	31	30	32	38
Auto Loan	32	37	38	44	42	41	46	43	31	33	32	35	40
CMBS	44	47	48	53	51	50	52	47	42	45	46	46	52
Non Agency CMBS	55	59	61	65	62	60	65	58	52	58	59	56	64
Agency CMBS	30	32	33	40	37	38	38	34	32	31	33	36	41

The average spread of the primary SIMI sectors at the end of the 3rd quarter was 38 bps, with Corporate bonds leading the way at 66 bps for the quarter. Finance Company Corporate bonds experienced the highest average spread of 103 bps, followed by REITS at 88 bps for the quarter.

Government-Related and Securitized bonds experienced an average spread of 21 and 29 bps for the quarter, respectively. Supranational, a subsector of Government-Related bonds, had an average spread of 14 bps, the lowest of the Index for the quarter.

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Option Adjusted Spreads (OAS)

Monthly changes by sector

Bloomberg Barclays Stable Income Market Index (SIMI)

September 2018



OAS Change	2018 Sep	Aug	Jul	Jun	May	Apr	Mar	Feb	Jan	Dec	Nov	2017 Oct
Treasury	0	0	0	0	0	0	-2	0	0	1	0	0
Government-Related	-1	1	-2	0	2	0	0	2	-2	1	0	-2
Agency	-1	0	-2	0	2	0	0	2	-3	1	0	-1
Local Authority	-3	-1	-1	4	0	0	0	-1	-2	0	-1	-4
Sovereign	-3	6	-15	-8	22	0	4	16	-1	5	-10	-3
Supranational	-2	1	-2	-1	1	-1	0	1	-2	1	0	-1
Corporate	-5	0	-10	6	3	-7	11	11	-4	-2	3	-6
Industrial	-6	1	-10	6	1	-6	10	11	-5	-3	5	-5
Basic Industry	-8	2	-9	5	4	-2	9	8	-8	1	-1	-7
Capital Goods	-3	-1	-8	5	-1	-7	10	10	-2	-2	5	-5
Consumer Cyclical	-8	7	-7	5	-2	-4	10	10	-3	-2	4	-8
Consumer Non-Cyclical	-6	0	-12	6	2	-6	11	12	-7	-3	6	-2
Energy	-5	-1	-11	5	2	-7	12	14	-5	-6	5	-8
Technology	-5	1	-10	9	0	-6	5	9	-3	-4	8	-3
Transportation	-6	0	-8	4	3	-3	12	6	-3	0	1	-8
Communications	-8	-3	-11	9	6	-7	14	11	-6	-5	6	-9
Utility	-6	1	-7	4	0	-5	15	9	-5	0	2	-8
Electric	-6	1	-7	4	0	-5	15	9	-4	0	2	-8
Natural Gas	-5	-1	-6	8	0	0	13	7	-7	1	3	-11
Financial Institutions	-4	-1	-9	6	6	-8	12	12	-2	-2	1	-6
Banking	-4	-2	-10	6	7	-9	12	13	-1	-2	1	-6
Brokerage	-5	4	-7	3	-2	-5	12	7	-6	1	0	-5
Finance Companies	-6	-2	-14	9	13	-8	13	15	-3	-1	8	-9
Insurance	-3	3	-10	7	1	-7	12	10	-5	-2	2	-7
REITS	-4	-3	-4	2	2	3	15	6	-6	0	-3	-10
Securitized	-1	0	-1	1	1	-2	0	6	1	-2	4	-3
MBS Passthrough	0	1	1	1	2	-1	-2	5	3	-3	5	-1
ABS	-4	-1	-5	2	1	-5	3	12	-2	1	-3	-5
Credit Card	-3	-1	-5	2	2	-5	3	11	-2	1	-2	-5
Auto Loan	-5	-1	-6	2	1	-4	3	12	-2	1	-3	-5
CMBS	-3	-1	-5	3	0	-2	6	4	-2	-2	0	-6
Non Agency CMBS	-5	-1	-5	3	1	-5	7	6	-5	-1	3	-8
Agency CMBS	-2	-1	-7	3	-1	0	4	3	1	-2	-3	-5

Spread changes were slightly tighter with the primary SIMI sectors only tightening by an average of 2 bps for the quarter. Over the quarter, the average spreads tightened in July by 4 bps, stayed flat in August and tightened again in September by 2 bps. Corporate bonds tightening by an average of 10 bps in July and 5 bps in September were the primary drivers to the average spread of the Index tightening by 4 bps for the quarter. Average subsector spread changes over the quarter ranged from -8 bps to 7 bps across.

MBS Passthrough was the only subsector in the Index to experience any widening over the quarter at 1 bp. Corporate bonds experienced the highest average tightening of the Index with Communications at 8 bps, followed by Finance Companies at 7 bps.

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