

# Sector Returns

## Bloomberg Barclays Stable Income Market Index (SIMI)

December 2017

**Total Return**



	Dec 2017	Nov	Oct	Sep	Aug	Jul	Jun	May	Apr	Mar	Feb	Jan	Dec 2016
<b>Treasury</b>	-1	-29	-10	-34	36	28	-16	24	33	6	15	18	1
<b>Government-Related</b>	0	-23	-4	-24	34	33	-9	28	34	12	23	25	2
<b>Agency</b>	1	-22	-4	-22	31	32	-8	26	30	9	21	26	3
Local Authority	3	-25	-3	-24	42	38	-15	35	39	19	24	21	-2
Sovereign	-7	4	-3	-12	53	43	9	49	44	12	58	42	23
Supranational	-1	-30	-6	-30	36	32	-12	29	37	18	20	22	-4
<b>Corporate</b>	13	-33	11	-11	32	54	0	43	50	6	48	40	16
<b>Industrial</b>	14	-38	10	-9	27	55	-4	44	50	5	47	41	18
Basic Industry	9	-26	17	-18	55	67	0	45	56	-7	74	61	17
Capital Goods	9	-38	9	-18	27	52	-5	40	45	2	42	44	7
Consumer Cyclical	12	-34	17	-8	29	52	6	37	43	5	56	41	18
Consumer Non-Cyclical	14	-38	-2	-7	16	58	-3	45	46	8	41	38	14
Energy	14	-31	25	-3	31	56	-15	46	53	-1	35	51	41
Technology	18	-49	3	-12	31	50	-4	41	55	7	49	34	18
Transportation	4	-28	12	-16	37	51	-4	43	46	10	39	37	4
Communications	20	-46	20	-3	25	59	-5	56	60	11	53	36	15
<b>Utility</b>	5	-26	17	-15	38	58	0	41	45	2	31	38	6
Electric	5	-26	17	-15	38	57	1	41	44	2	31	37	5
Natural Gas	4	-25	24	-9	29	64	-9	39	46	4	33	49	12
<b>Financial Institutions</b>	11	-26	12	-13	39	53	5	41	50	8	51	39	15
Banking	11	-25	11	-12	38	52	5	40	48	9	50	35	15
Brokerage	3	-27	13	-11	36	54	5	36	49	16	44	55	6
Finance Companies	7	-45	21	2	38	52	5	62	72	-14	100	75	27
Insurance	11	-31	14	-23	39	54	1	43	51	8	46	50	12
REITS	14	-15	26	-16	59	64	3	49	58	8	42	48	9
<b>Securitized</b>	18	-32	-1	-34	55	39	-32	48	49	6	34	18	1
<b>MBS Passthrough</b>	22	-37	-5	-32	56	42	-40	49	53	2	44	13	12
<b>ABS</b>	1	-11	5	-20	35	25	-6	33	30	17	10	21	-17
Credit Card	2	-14	4	-28	41	28	-11	40	39	17	13	25	-23
Auto Loan	0	-8	6	-13	28	21	-1	26	21	17	6	17	-10
<b>CMBS</b>	12	-29	15	-59	70	40	-16	60	48	12	12	41	-34
Non Agency CMBS	12	-38	22	-59	75	49	-17	62	49	5	13	49	-32
Agency CMBS	12	-20	7	-59	65	31	-14	58	47	17	10	34	-36

Despite predominately negative returns for the 4th quarter, all sectors and subsectors of the SIMI posted positive returns for the calendar year 2017, ranging from 70 to 375 bps.

REITS, a subsector of Corporate bonds, posted the highest return of the Index for the quarter at 25 bps followed by Energy Corporate bonds at 8 bps. Finance Companies Corporate bonds were the highest performers for the year at 375 bps, followed by REITS at 340 bps. Treasury securities posted the lowest returns for both the quarter and calendar year 2017 at -40 bps and 70 bps, respectively.

Sector and subsector returns for October and December were moderate to flat, averaging -1 bp and 8 bps, respectively. Returns for November were predominantly negative, at an average of -29 bps with the only positive return, 4 bps, posted by Sovereign Government Related securities.

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# Option Adjusted Spreads (OAS) by Sector

## Bloomberg Barclays Stable Income Market Index (SIMI)

December 2017

OAS	Dec 2017	Nov	Oct	Sep	Aug	Jul	Jun	May	Apr	Mar	Feb	Jan	Dec 2016
<b>Treasury</b>	1	0	0	0	0	0	1	0	1	1	0	0	1
<b>Government-Related</b>	22	21	21	22	24	24	25	25	27	29	29	31	34
Agency	21	20	20	21	22	22	24	24	25	26	25	26	30
Local Authority	40	39	41	44	47	46	48	46	49	50	58	62	60
Sovereign	39	34	44	46	52	57	61	66	72	81	72	87	93
Supranational	17	16	16	17	18	17	18	18	19	21	25	27	29
<b>Corporate</b>	56	58	55	61	67	63	70	73	76	79	76	86	91
<b>Industrial</b>	55	58	53	58	66	60	67	69	73	76	73	81	87
Basic Industry	66	65	66	72	77	80	88	89	93	96	86	103	109
Capital Goods	48	50	45	51	55	49	56	59	62	65	62	70	76
Consumer Cyclical	54	56	53	60	67	63	68	73	76	76	72	84	90
Consumer Non-Cyclical	54	56	51	53	61	52	60	62	66	68	67	75	79
Energy	60	66	61	69	77	75	80	78	83	89	83	88	97
Technology	50	54	47	50	57	52	58	61	62	65	63	72	76
Transportation	50	50	49	57	63	59	66	69	73	72	69	76	80
Communications	62	67	61	69	79	70	78	80	86	91	89	97	101
<b>Utility</b>	58	58	55	64	68	67	76	77	81	84	80	84	91
Electric	57	57	55	63	68	66	75	77	81	83	79	83	89
Natural Gas	64	62	59	71	75	73	87	82	88	93	88	94	106
<b>Financial Institutions</b>	57	59	58	64	69	67	73	78	80	83	81	91	96
Banking	55	57	56	61	67	65	71	76	78	80	78	89	93
Brokerage	60	60	59	65	71	69	77	84	86	92	94	103	113
Finance Companies	82	83	74	84	93	90	96	101	109	117	110	134	145
Insurance	59	60	59	66	66	63	68	72	75	79	74	82	91
REITS	74	74	77	87	91	91	98	96	102	105	105	110	118
<b>Securitized</b>	22	24	21	23	26	26	28	24	27	27	27	27	26
<b>MBS Passthrough</b>	16	18	13	14	19	18	22	16	18	17	15	18	15
<b>ABS</b>	32	31	34	39	36	40	39	39	46	48	53	50	53
Credit Card	31	30	32	38	36	39	39	39	45	47	51	48	52
Auto Loan	33	32	35	40	37	40	40	39	47	49	56	52	53
<b>CMBS</b>	45	46	46	52	49	51	51	51	56	55	56	50	54
Non Agency CMBS	58	59	56	64	61	63	65	65	69	68	66	60	66
Agency CMBS	31	33	36	41	38	39	38	39	45	45	47	42	45

The average spread of the primary SIMI sectors at the end of the 4th quarter and calendar year 2017 were 33 bps and 39 bps, respectively, with Corporate bonds leading the way at 56 bps for the quarter and 68 bps for the year. Finance Company Corporate bonds experienced the highest average spread of 80 bps each for the quarter and 98 bps for 2017, followed by REITS at 75 bps and 92 bps, respectively.

Government-Related and Securitized bonds experienced an average spread of 21 and 22 bps for the quarter, respectively. Subsectors of these primary sectors, Supranational and MBS Passthrough bonds, both had an average spread of 16 bps, the lowest of the Index for the third consecutive quarter.

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# Option Adjusted Spreads (OAS)

## Monthly changes by sector

### Bloomberg Barclays Stable Income Market Index (SIMI)

December 2017

OAS Change	Dec 2017	Nov	Oct	Sep	Aug	Jul	Jun	May	Apr	Mar	Feb	Jan 2017
<b>Treasury</b>	1	0	0	0	0	0	0	0	0	0	0	-1
<b>Government-Related</b>	1	0	-2	-1	0	-1	0	-2	-2	0	-2	-3
<b>Agency</b>	1	0	-1	-1	0	-2	0	-2	-1	2	-1	-4
Local Authority	0	-1	-4	-3	1	-2	1	-3	-1	-8	-4	2
Sovereign	5	-10	-3	-6	-5	-4	-5	-6	-9	9	-14	-6
Supranational	1	0	-1	0	0	-1	0	-2	-2	-4	-2	-2
<b>Corporate</b>	-2	3	-6	-7	4	-6	-3	-3	-3	3	-9	-5
<b>Industrial</b>	-3	5	-5	-8	6	-7	-2	-4	-3	3	-9	-5
Basic Industry	1	-1	-7	-5	-3	-8	-2	-4	-3	10	-17	-5
Capital Goods	-2	5	-5	-4	5	-7	-3	-3	-3	2	-7	-7
Consumer Cyclical	-2	4	-8	-7	5	-5	-5	-2	-1	4	-12	-6
Consumer Non-Cyclical	-3	6	-2	-9	9	-8	-2	-4	-2	2	-8	-5
Energy	-6	5	-8	-8	2	-5	3	-6	-5	6	-6	-9
Technology	-4	8	-3	-7	4	-6	-3	-2	-3	2	-9	-3
Transportation	0	1	-8	-6	3	-7	-3	-4	1	3	-7	-4
Communications	-5	6	-9	-9	9	-8	-2	-7	-5	2	-8	-4
<b>Utility</b>	0	2	-8	-5	1	-9	-1	-4	-3	4	-4	-6
Electric	0	2	-8	-5	1	-9	-1	-4	-3	4	-4	-6
Natural Gas	1	3	-11	-5	3	-14	4	-5	-5	5	-6	-12
<b>Financial Institutions</b>	-2	1	-6	-5	2	-6	-5	-3	-3	2	-10	-5
Banking	-2	1	-6	-6	2	-6	-5	-2	-3	2	-10	-4
Brokerage	1	0	-5	-7	2	-8	-6	-2	-6	-2	-9	-10
Finance Companies	-1	8	-9	-9	3	-6	-5	-8	-8	7	-24	-11
Insurance	-2	2	-7	0	3	-5	-4	-3	-4	5	-8	-9
REITS	0	-3	-10	-4	-1	-7	1	-6	-3	-1	-4	-8
<b>Securitized</b>	-2	4	-3	-3	0	-2	4	-3	0	1	0	1
<b>MBS Passthrough</b>	-3	5	-1	-5	1	-4	6	-2	0	2	-2	2
<b>ABS</b>	1	-3	-5	3	-4	0	0	-7	-2	-5	3	-3
Credit Card	1	-2	-5	2	-3	0	0	-7	-2	-4	3	-3
Auto Loan	1	-3	-5	3	-4	0	1	-8	-2	-6	4	-2
<b>CMBS</b>	-2	0	-6	3	-2	0	-1	-5	1	0	5	-4
Non Agency CMBS	-1	3	-8	3	-2	-2	0	-5	2	2	6	-6
Agency CMBS	-2	-3	-5	3	-2	2	-1	-6	0	-2	5	-3

Spread changes were slightly tighter with the primary SIMI sectors only tightening by an average of 1 bp for both the 4th quarter and calendar year 2017. Over the quarter, the average spreads were tighter in October and December by 1 bps to 3 bps; Corporate and Securitized bonds widened slightly by 3 bps to 4 bps in November, which led to the average spread of the Index widening by 2 bps for the month. Average spread changes over the quarter ranged from 0 bps to -4 bps across all the sectors and subsectors of the Index.

Agency CMBS Securitized bonds was again the only subsector in the Index to experience any widening over the quarter, 1 bp, which was driven by October and December widening and offset by 2 bps of tightening in November. Sovereign Government-Related along with Basic Industry and Natural Gas Corporate bonds again experienced the highest average tightening of the Index, 5 bps each, followed by Energy, Electric, Brokerage, Finance Companies, and REITS Corporate bonds at 4 bps each.

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