


## Sector Returns

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

December 2016

Total Return	Dec 2016	Nov	Oct	Sep	Aug	Jul	Jun	May	Apr	Mar	Feb	Jan	Dec 2015
													
<b>Treasury</b>	1	-98	-22	17	-32	-4	99	-15	-1	23	25	109	-14
<b>Government-Related</b>	2	-85	-17	16	-15	2	79	-7	10	36	24	84	-23
Agency	3	-76	-12	16	-13	1	73	-6	7	34	21	83	-23
Local Authority	-2	-87	-24	27	-23	7	97	10	16	40	22	108	-9
Sovereign	23	-127	-15	8	36	6	112	-13	34	99	66	51	-47
Supranational	-4	-96	-27	18	-30	5	84	-10	11	26	24	93	-19
<b>Corporate</b>	16	-93	-4	10	2	41	92	-6	52	126	5	44	-37
<b>Industrial</b>	18	-98	-7	11	2	43	102	-16	61	152	26	24	-56
Basic Industry	17	-101	-6	37	1	76	138	-18	100	194	274	-125	-155
Capital Goods	7	-90	-6	9	-8	27	87	-10	34	83	15	94	-23
Consumer Cyclical	18	-102	-9	4	-3	35	94	-19	51	113	23	63	-13
Consumer Non-Cyclical	14	-102	-15	8	-15	38	92	-22	33	93	16	107	-27
Energy	41	-78	21	24	53	47	131	-4	152	398	-25	-223	-164
Technology	18	-105	-4	10	-2	52	92	-13	36	105	11	89	-34
Transportation	4	-94	-1	22	3	19	92	-11	47	89	31	78	-28
Communications	15	-105	-31	3	-10	51	102	-24	56	129	18	63	-21
Other Industrial	-2	-101	-27	14	-9	9	92	-1	10	51	128	60	-3
<b>Utility</b>	6	-93	1	22	-6	16	88	36	32	60	36	90	-29
Electric	5	-94	2	20	-7	15	88	36	31	58	37	93	-29
Natural Gas	12	-84	-13	46	1	24	90	30	53	77	26	53	-27
<b>Financial Institutions</b>	15	-87	0	7	3	41	80	2	43	98	-26	66	-15
Banking	15	-85	0	1	4	41	75	2	42	99	-24	61	-16
Brokerage	6	-99	10	43	2	32	113	18	47	76	-30	109	-12
Finance Companies	27	-83	1	12	4	121	67	19	53	189	-51	62	-22
Insurance	12	-94	-5	22	-6	35	97	-6	48	83	-36	78	-16
REITS	9	-103	2	54	-5	31	117	13	48	83	-18	112	5
Other Financial									4	38	5	47	7
<b>Securitized</b>	1	-133	-24	25	-5	18	81	-1	21	27	35	118	-25
<b>MBS Passthrough</b>	12	-156	-28	27	-3	22	73	-1	22	26	34	122	-20
ABS	-17	-46	-5	25	0	-10	77	6	22	11	22	98	-19
Credit Card	-23	-66	-15	23	1	-9	93	6	21	9	31	120	-23
Auto Loan	-10	-26	5	26	-1	-10	62	6	22	12	13	76	-14
<b>CMBS</b>	-34	-102	-19	14	-20	27	122	-9	17	44	54	119	-53
Non Agency CMBS	-32	-94	-8	1	-13	40	135	-1	35	68	38	97	-59
Agency CMBS	-36	-109	-27	24	-25	17	111	-16	1	22	69	141	-47

All the sectors and subsectors of the SIMI posted moderately negative returns for the 4th quarter, primarily due to the rise in interest rates during November. Energy Corporate bonds posted the highest return of the quarter at -5 bps. Securitized bonds posted the lowest returns in the Index with MBS Passthrough and Agency CMBS sub-sectors at -57 bps for the quarter.

The average returns for the primary SIMI sectors for the 4th quarter and calendar year were -38 bps and 14 bps, respectively.

Despite the negative returns in the 4th quarter, all sectors and subsectors of the SIMI posted modest yet positive returns for the year ending 12/31/2016. Returns for the year range from 8 to 49 bps.

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## Option Adjusted Spreads (OAS) by Sector

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

December 2016

OAS	Dec 2016	Nov	Oct	Sep	Aug	Jul	Jun	May	Apr	Mar	Feb	Jan	Dec 2015
<b>Treasury</b>	1	1	0	0	0	0	0	0	0	0	1	0	1
<b>Government-Related</b>	34	32	30	29	30	33	33	30	32	33	37	36	32
<b>Agency</b>	30	28	26	26	26	28	27	26	27	27	31	29	25
Local Authority	60	57	56	52	54	55	56	55	63	65	70	65	64
Sovereign	93	97	84	84	106	126	123	122	120	129	144	148	125
Supranational	29	26	23	21	20	20	22	17	18	21	22	22	20
<b>Corporate</b>	91	92	89	92	86	94	105	99	99	114	147	139	114
<b>Industrial</b>	87	89	84	86	81	89	101	97	94	111	154	157	125
Basic Industry	109	111	107	110	112	119	139	136	129	162	215	327	256
Capital Goods	76	71	68	70	64	68	75	69	69	78	96	91	83
Consumer Cyclical	90	91	85	86	79	84	93	89	88	101	126	120	99
Consumer Non-Cyclical	79	81	74	74	68	69	80	75	70	79	100	94	89
Energy	97	107	103	115	109	137	149	155	156	203	346	342	220
Technology	76	79	78	81	80	89	104	92	85	94	116	113	102
Transportation	80	80	70	74	74	81	86	83	81	94	115	111	102
Communications	101	100	93	88	80	85	101	97	91	108	139	128	108
Other Industrial	84	79	74	69	62	65	67	61	63	63	69	82	60
<b>Utility</b>	91	89	84	89	88	93	96	93	108	113	125	124	116
Electric	89	87	82	88	86	91	94	90	106	111	122	121	115
Natural Gas	106	106	96	96	104	111	118	114	125	139	155	148	121
<b>Financial Institutions</b>	96	97	96	99	93	100	111	102	105	117	140	118	100
Banking	93	94	93	97	89	96	108	98	101	112	136	114	95
Brokerage	113	111	109	114	114	122	129	128	134	138	152	128	118
Finance Companies	145	149	156	160	155	162	184	159	170	184	225	190	150
Insurance	91	91	87	89	87	94	103	102	103	119	138	120	108
REITS	118	114	109	114	122	128	135	133	139	150	166	141	133
Other Financial										24	102	93	106
<b>Securitized</b>	26	26	28	30	32	40	43	33	35	42	42	40	38
<b>MBS Passthrough</b>	15	19	18	21	22	31	36	21	22	28	28	26	22
<b>ABS</b>	53	42	46	47	52	57	50	51	58	63	59	57	65
Credit Card	52	41	46	46	48	55	48	48	54	59	54	53	59
Auto Loan	53	44	46	49	56	60	52	54	61	67	64	62	71
<b>CMBS</b>	54	44	57	62	60	66	72	74	78	86	95	96	91
Non Agency CMBS	66	57	71	79	77	83	96	106	116	130	152	147	140
Agency CMBS	45	35	46	49	47	52	53	47	46	46	44	50	44

The average spread of the primary SIMI sectors at the end of the 4th quarter was 50 bps. For the full year, the average spread was only slightly higher at 57 bps.

Finance Company Corporate bonds ended the 4th quarter and calendar year with the highest average spread of 150 bps and 170 bps, respectively.

MBS Passthrough Securitized bonds experienced the lowest average spread for the quarter, 18 bps, while Supranational Government Related bonds had the lowest average spread for the year at 22 bps.

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# Option Adjusted Spreads (OAS)

## Monthly changes by sector

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

December 2016

OAS Change	Dec 2016	Nov	Oct	Sep	Aug	Jul	Jun	May	Apr	Mar	Feb	Jan 2016
												
<b>Treasury</b>	0	1	0	0	0	0	0	0	0	-1	1	-1
<b>Government-Related</b>	2	3	1	-1	-3	0	2	-1	-2	-4	1	4
Agency	2	2	0	1	-3	1	2	-1	-1	-3	2	4
Local Authority	4	0	5	-2	-1	-2	2	-8	-3	-5	5	1
Sovereign	-4	13	-1	-21	-20	3	1	2	-9	-15	-4	23
Supranational	3	2	3	1	0	-2	5	-1	-3	-2	0	2
<b>Corporate</b>	-2	4	-3	5	-8	-11	6	0	-15	-33	8	25
<b>Industrial</b>	-2	5	-2	5	-8	-12	4	3	-18	-42	-3	32
Basic Industry	-2	4	-3	-3	-7	-20	3	7	-34	-53	-113	71
Capital Goods	5	4	-2	6	-4	-7	6	1	-9	-18	5	7
Consumer Cyclical	-1	6	0	7	-5	-9	4	1	-13	-25	5	22
Consumer Non-Cyclical	-2	7	0	6	-1	-11	5	5	-8	-22	7	5
Energy	-10	4	-11	6	-29	-12	-6	-1	-47	-143	4	122
Technology	-3	1	-3	1	-9	-15	13	7	-9	-22	3	11
Transportation	0	10	-4	0	-7	-6	4	2	-13	-20	4	10
Communications	1	7	5	8	-5	-15	4	6	-17	-31	11	20
Other Industrial	4	5	5	8	-3	-2	6	-2	-1	-6	-14	23
<b>Utility</b>	2	5	-5	1	-5	-3	4	-15	-6	-12	1	9
Electric	2	5	-6	2	-4	-3	4	-15	-5	-11	1	7
Natural Gas	0	9	0	-8	-6	-7	4	-12	-13	-16	7	27
<b>Financial Institutions</b>	-1	2	-4	6	-7	-11	9	-3	-12	-23	23	18
Banking	-2	2	-4	8	-7	-12	10	-3	-12	-24	22	19
Brokerage	2	3	-6	0	-8	-8	1	-6	-4	-14	24	10
Finance Companies	-4	-7	-4	6	-8	-22	25	-10	-14	-41	35	41
Insurance	0	4	-2	2	-7	-9	1	-1	-16	-19	18	12
REITS	4	5	-5	-8	-6	-7	2	-6	-11	-16	25	8
Other Financial									-24	-78	10	-13
<b>Securitized</b>	0	-2	-3	-2	-8	-3	11	-3	-6	0	2	2
<b>MBS Passthrough</b>	-4	1	-2	-2	-9	-5	15	-2	-6	1	2	4
<b>ABS</b>	10	-4	-2	-5	-5	7	-1	-6	-5	4	2	-8
Credit Card	11	-5	0	-2	-6	6	0	-6	-5	5	2	-6
Auto Loan	9	-2	-3	-7	-4	8	-2	-7	-6	3	2	-9
<b>CMBS</b>	10	-13	-5	2	-5	-7	-2	-5	-8	-9	-1	5
Non Agency CMBS	10	-15	-8	2	-6	-13	-10	-10	-14	-22	5	7
Agency CMBS	10	-11	-3	2	-5	-2	6	1	0	2	-5	6

Spread changes were flat for the 4th quarter, with the primary SIMI sector showing no change and only tightening slightly, 1 bp, for the year.

Spreads in Energy and Basic Industry Corporate bonds were the most volatile of 2016. In January 2016 Energy experienced the most widening of the Index at 122 bps and ended the year with the most tightening at -10 bps.

Though Securitized subsectors experienced the most spread widening in December, their averages for the quarter and year were in line with the Index average.

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