svb Asset Management

Quarterly Economic Report

Inside views on economic and market factors affecting global markets and business health

Q4 2019

Quarterly Economic Report

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Thoughts From the Desk

The third quarter was quite a quarter for the markets. The FOMC made two consecutive rate cuts for a total of 50 basis points in the quarter, which was a significant development after nine rate increases over three years. These rate cuts were driven largely by escalating trade tensions and slower global growth. How monetary policy will play out continues to be a fluid situation for the remainder of the year. Much of the domestic economic data has been resilient with steady job growth, recent increase in inflation and strong personal consumption. The Fed will continue to assess incoming economic data as they consider their next step with a willingness to "act appropriately to sustain the expansion."

The global rally in fixed income markets led to record low and even negative yields, at one point reaching a high of $17 trillion in negative-yielding global bonds. Global investors in search of relative value drove up demand for US fixed income, pressuring yields lower. The decrease in rates provided an attractive opportunity for corporate issuers and led to the busiest September ever for investment-grade corporate bond issuance with a record 130 deals and volume of over $150 billion.

Where do we go from here? One thing the market will be focused on is the US-China trade negotiations. If we do get some sort of partial deal, yields could rise as the market will price in a lower probability of a future recession. The improved outlook in trade policy negotiations at the end of the third quarter and the beginning of the fourth quarter moved the spread between 3-month and 10-year yields back into positive territory after being inverted since May.

As year-end approaches, economic data will provide more information on the health of the economy, while uncertainty about trade policy is likely to continue to weigh on global growth. The Fed will be monitoring the economy carefully as they plan future monetary policy to help sustain growth.

Domestic Economy

Overview

Domestic economy

Third-quarter economic data indicated a fairly resilient economy, despite headwinds from the ongoing trade war. As expected, the Fed embarked on an easing campaign, cutting rates two consecutive times in the July and September FOMC meetings by a total of 50 basis points. There is the potential for another cut before year-end as trade tensions continue to weigh on the economy.

As anticipated, second-quarter GDP growth decelerated to 2 percent. Despite the markedly lower number on a quarter-over-quarter basis, consumer spending propelled the economy with a robust 4.6 percent increase. Unsurprisingly, business investment was down due to the ongoing uncertainty created by trade tensions.

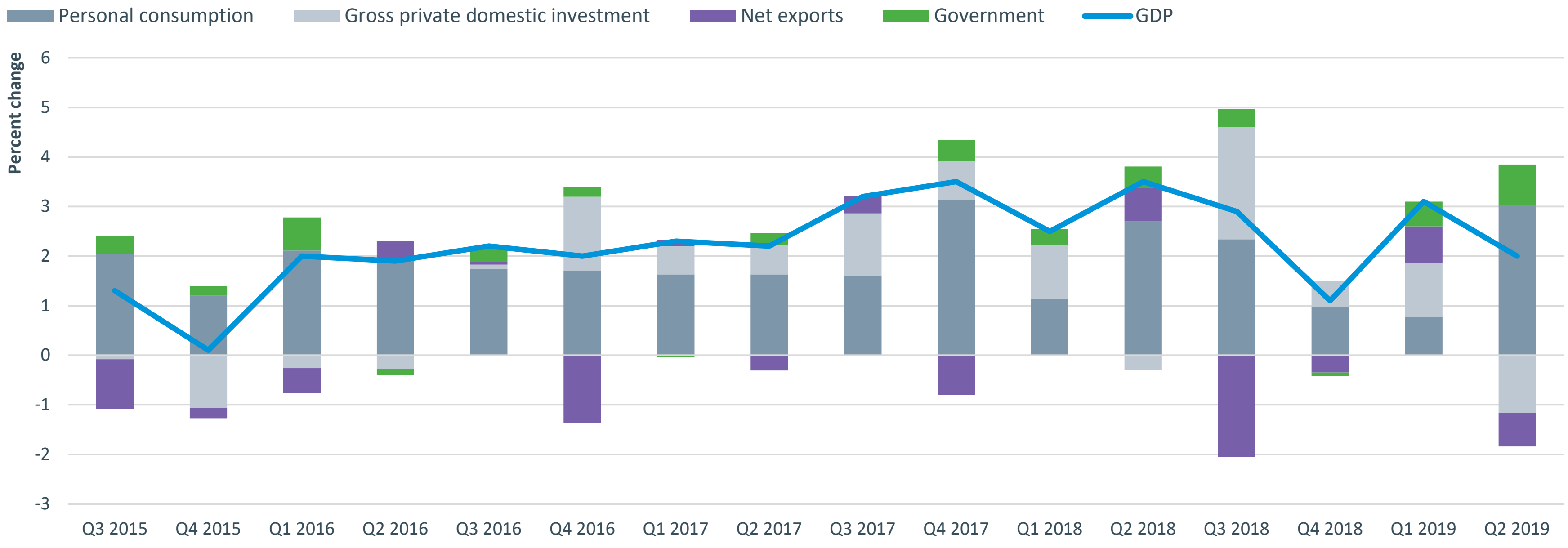
Meanwhile, the labor market continued to add jobs, albeit a slower pace, with an average of 165,000 jobs per month for the first nine months of the year. The unemployment rate dropped to a 50-year low of 3.5 percent. On the other side of the Fed's dual mandate, inflation readings have trended higher but are still under the Fed's target range of 2 percent. Tame inflation pressures leave room for further easing before year-end.

As the year moves to a close, softer business sentiment amid ongoing trade tensions, combined with subdued inflation and increased risk to economic outlook, support the Fed's shift to a more dovish tone.

GDP: Growth slows

Second-quarter GDP growth decelerated to 2 percent. Despite the markedly lower number on a quarter-over-quarter basis, consumer spending propelled the economy with a robust 4.6 percent increase. Unsurprisingly, business investment was down due to the ongoing uncertainty created by trade tensions. Residential investment was also down 2.9 percent, while government spending made a positive contribution of 4.8 percent and net exports created drag of 5.7 percent.

GDP and Components

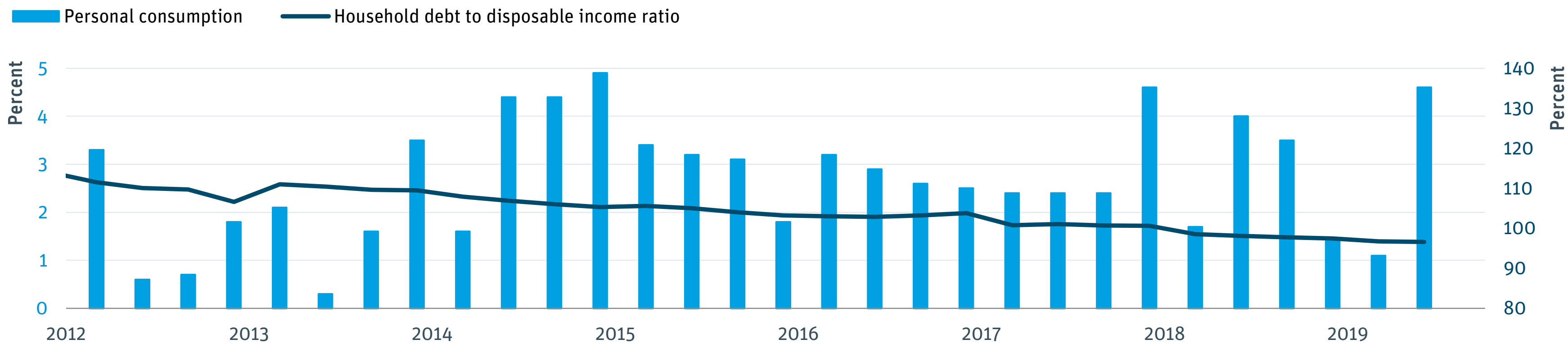


Sources: Bureau of Economic Analysis, Congressional Budget Office and SVB Asset Management. Data as of 10/4/2019. GDP values shown in legend are percent change vs. prior quarter on an annualized basis.

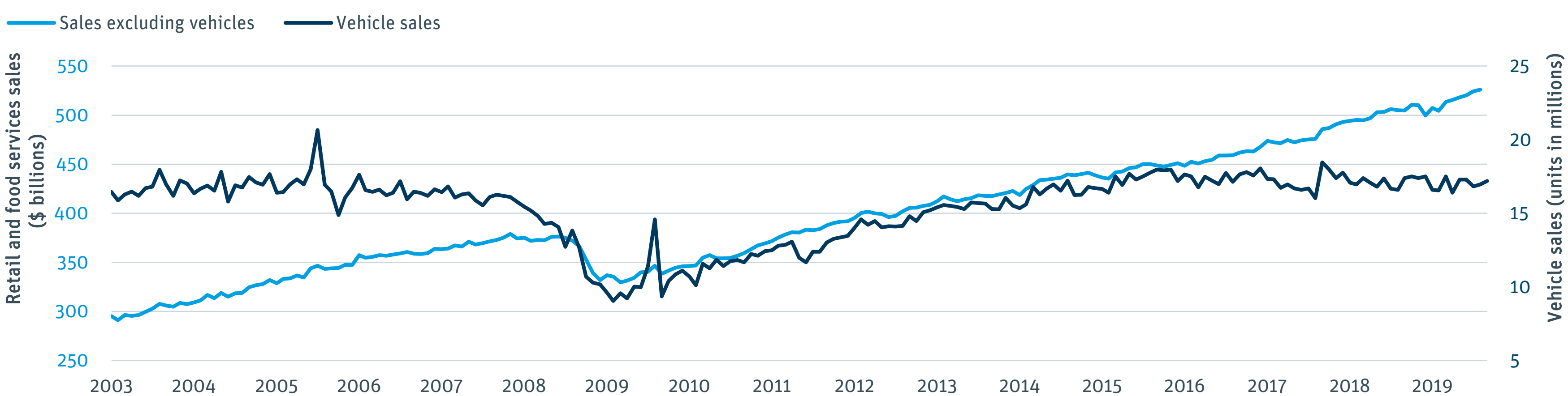
Consumption: Rebounded as expected

Personal Consumption was the bright spot in Q2 with a 4.6 percent increase, while household debt to disposable income remained at a steady level. In addition, retail sales continued to climb as strong employment, low interest rates and solid income growth helped support demand.

Consumption Overview



Retail and Food Services Sales

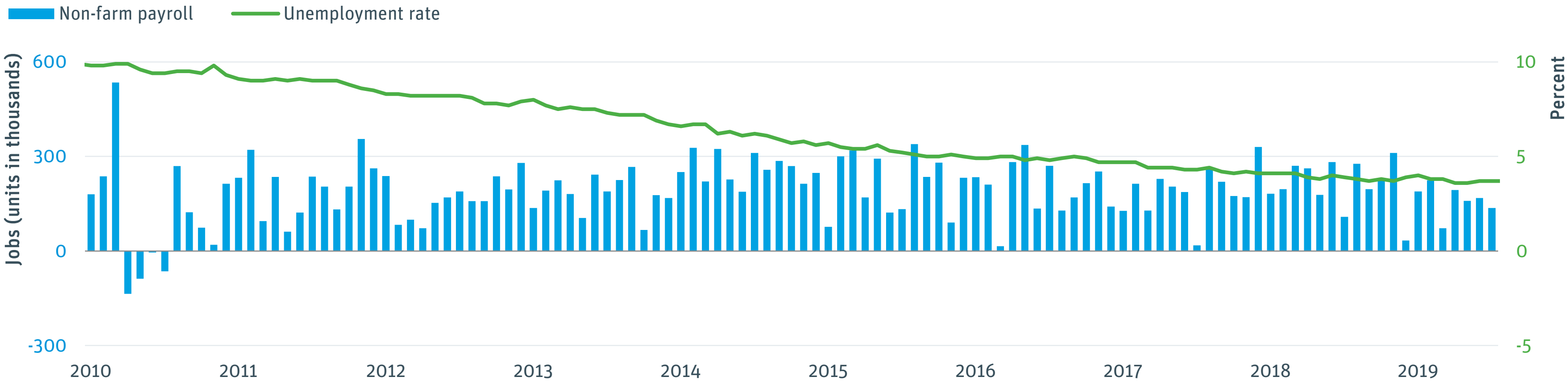


Sources: Bloomberg and SVB Asset Management. Data as of 10/4/2019.

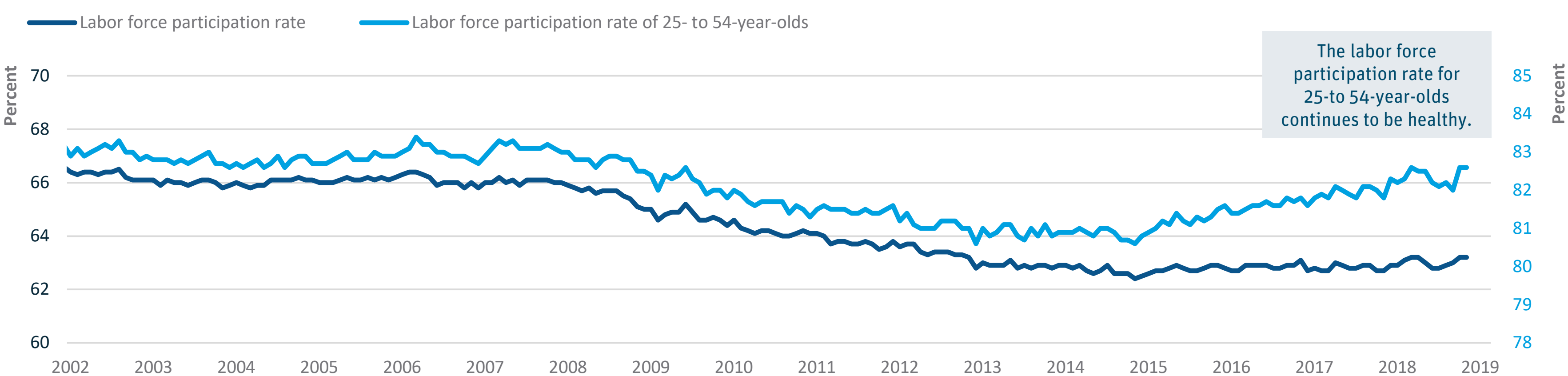
Employment: Remains solid

The first nine months of the year reflected solid job growth with an average of 165,000 jobs added per month. In addition, the unemployment rate hit a 50-year low of 3.5 percent; however, despite the notable low, wage pressure has been subdued. As trade tensions continue to loom, hiring may slow.

Employment Landscape



Labor Force Participation



Sources: US Bureau of Labor Statistics, Bloomberg and SVB Asset Management.
Data as of 10/4/2019.

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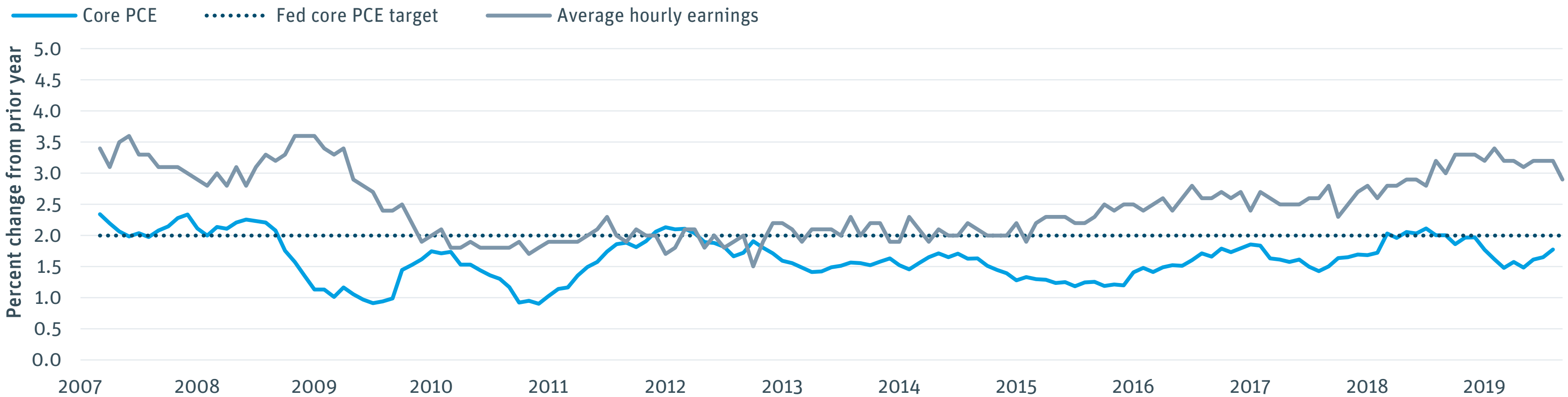
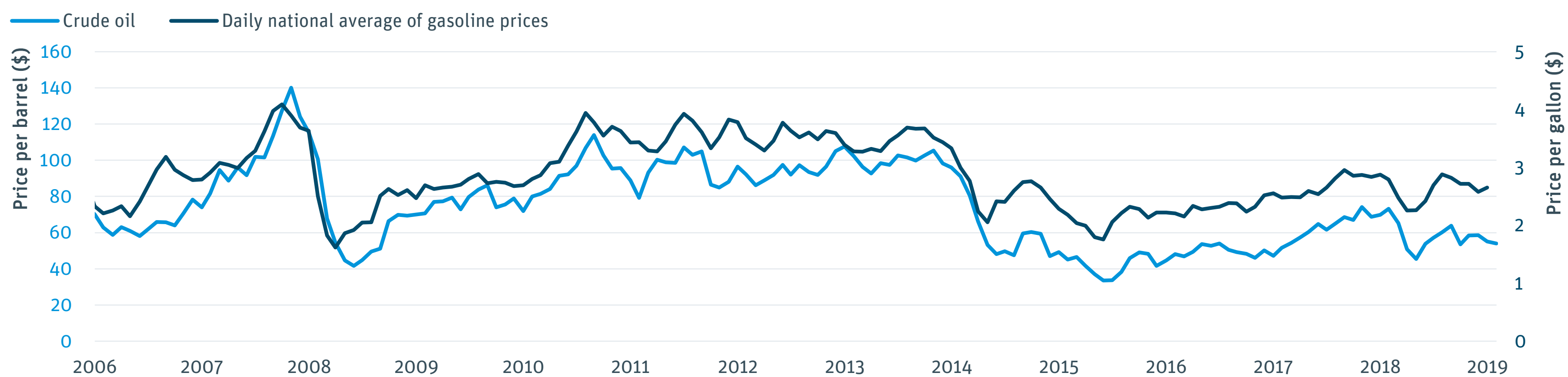
Inflation: Tame

Tame inflation creates room for further easing before year-end. Core PCE, the Fed's preferred measure for inflation, has been trending higher, although it remains below the Fed's 2 percent target. Hourly wages have moderated further, potentially indicating that inflation pressures will remain constrained. Meanwhile, oil prices have been affected by the uncertainty spurred by trade negotiations.

Core PCE



Oil Prices

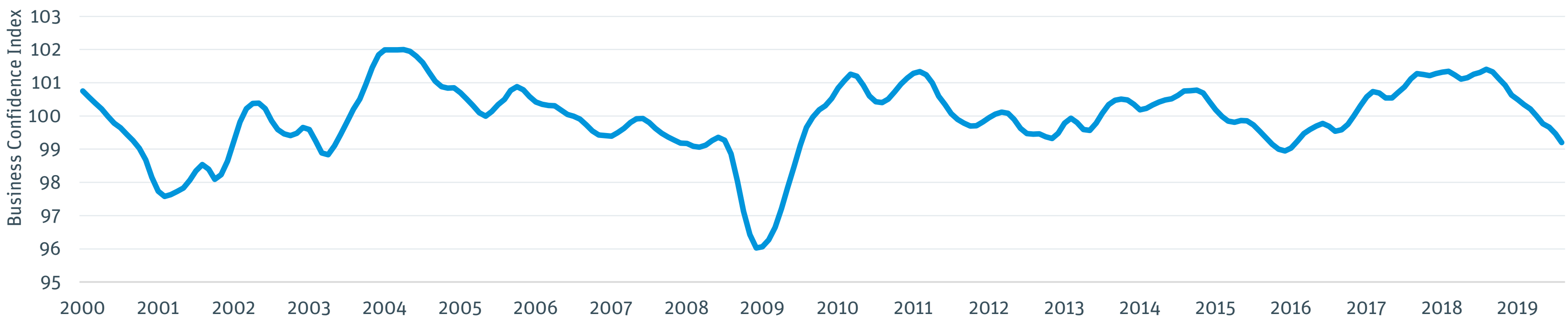


Sources: Bloomberg and SVB Asset Management. Data as of 10/4/2019.

Business Outlook: Uncertainty persists

Escalating trade tensions continue to weigh on business confidence. As uncertainty persists, companies have pared back forecasts. In the last 12 months, regional Fed surveys reflect an overall decline in business sentiment. Recently, the services sector has also declined, prompting concern about the pervasiveness of trade uncertainty.

Business Confidence Index



Business Sentiment

	Dallas Fed Manufacturing Survey	Philly Fed Manufacturing Survey	New York Fed Empire Manufacturing Survey	Kansas City Fed Manufacturing Survey	Richmond Fed Manufacturing Survey	ISM Manufacturing PMI SA	ISM Non-Manufacturing
October-18	28.1	19.7	20.0	10.0	15.0	57.5	60.0
November-18	16.1	11.9	21.4	17.0	14.0	58.8	60.4
December-18	-6.9	9.1	11.5	6.0	-8.0	54.3	58.0
January-19	-0.2	17.0	3.9	5.0	-2.0	56.6	56.7
February-19	11.6	-4.1	8.8	1.0	16.0	54.2	59.7
March-19	6.9	13.7	3.7	10.0	10.0	55.3	56.1
April-19	2.0	8.5	10.1	5.0	3.0	52.8	55.5
May-19	-5.3	16.6	17.8	4.0	5.0	52.1	56.9
June-19	-12.1	0.3	-8.6	0	3.0	51.7	55.1
July-19	-6.3	21.8	4.3	-1.0	-12.0	51.2	53.7
August-19	2.7	16.8	4.8	-6.0	1.0	49.1	56.4
September-19	1.5	12.0	2.0	-2.0	-9.0	47.8	52.6

Sources: Bloomberg, OECD and Business Confidence Index. Data as of 10/4/2019.
Heatmap colors based on the indices and time periods shown.

Global Economy

Overview

Global economy

Continued trade policy uncertainty through the third quarter has further slowed the pace of growth, though the global economy still remains on track for another year of expansion. After increasing 3.6 percent in 2018, the global economy is now projected to expand 2.9 percent in 2019, according to the Organization for Economic Cooperation and Development (OECD), which is 0.4 percent lower than its estimate in March. Most major economies will still post positive annual GDP growth, with G20 countries projected to grow 3.1 percent; Turkey and Argentina are among the few economies expected to post a contraction.

Trade quarrels have impacted manufacturing activity, as policy uncertainty has caused investments to be withheld and industrial demand to fall. On a global basis, manufacturing activity has contracted for five straight months through the end of September, according to the JPMorgan Global Manufacturing PMI.

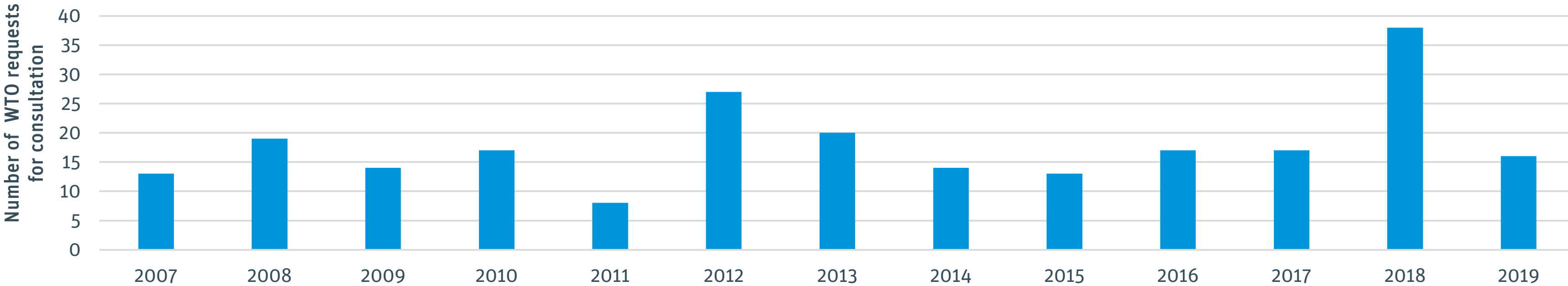
Strong employment conditions continue to carry the weight of the global economy, as real wage growth has supported consumer spending. Service activity continues to be in expansion territory, though the employment subcomponent of the JPMorgan Global Services PMI recently slipped into contraction territory.

Additional pressure on the global economy from trade difficulties is politically destabilizing conditions in certain areas including the UK, Hong Kong, Argentina and the US. In response, major central banks have now taken an easing stance, with the Federal Reserve and European Central Bank (ECB) lowering benchmark rates. Additional stimulus measures, both monetary and fiscal, will be needed to support global growth in 2020, which the OECD estimates to be 3 percent.

Trade Tensions Are Everywhere

Trading relationships around the world have been strained, in part, by political pressures, resulting in business insecurity. If the tariffs and restrictions enacted as a consequence of the trade dispute between the US and China continue through 2020, global 2020 GDP growth will be reduced by up to 0.4 percent, according to OECD estimates.

Trade Disputes Have Spiked



Disputes Are Wide-Ranging

Trading Relationships	Highlights of the Disputes
China and Canada	China barring certain Canadian agricultural imports over detention of Chinese national
France/Ireland and Brazil	Proposed EU-Mercosur trade agreement threatened over Brazil's handling of Amazon fires
India and Japan	India accused of unfairly applying 10% to 20% tariffs on mobile phones and other products
Japan and South Korea	Compensation claims for Japan's occupation of Korea from 1910 to 1945 has led to export restrictions and imposition of administrative barriers
Switzerland and EU	Disagreements over financial, immigration and trade policies have led to a trading halt of Swiss equities inside the EU
Turkey and Thailand	Thailand is upset at tariffs enacted by Turkey on its air conditioners
UK and EU	Immigration worries contributed to the UK vote to leave the EU; agreeing to a post-Brexit trading relationship has been hampered by UK political fragmentation
US and Canada/Mexico	Began with US imposing tariffs on steel and aluminum; US seeking to change NAFTA
US and China	US seeking intellectual property protections and improved market access
US and EU	Began with US imposing tariffs on steel and aluminum
US and Japan	US seeking increased access to Japan's agricultural markets

Sources: World Trade Organization, BBC.com, CNBC.com, WSJ.com and SVB Asset Management. Data as of 10/4/2019.

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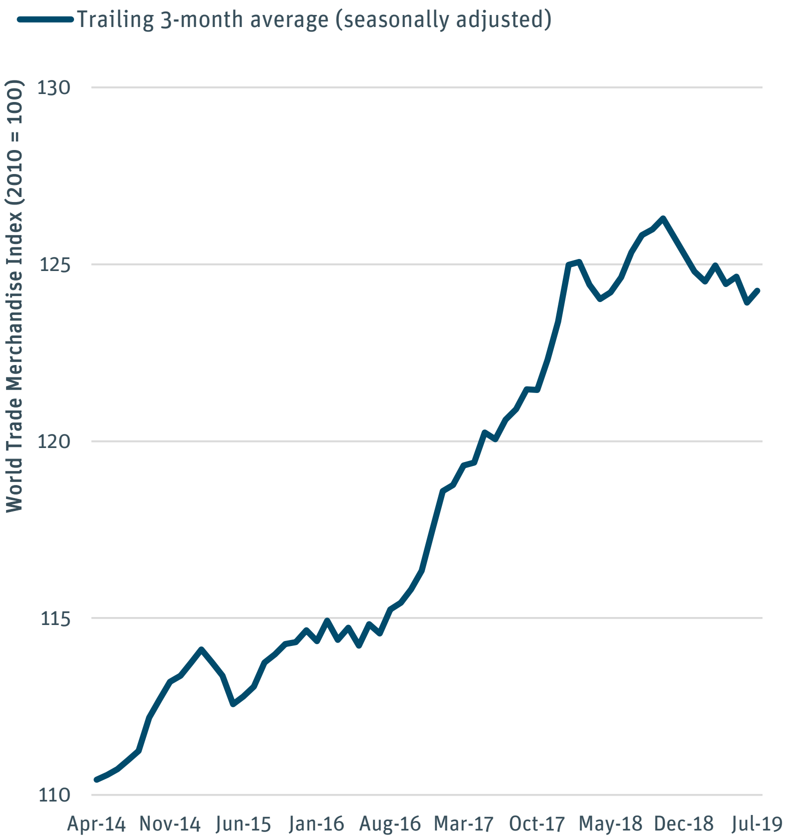
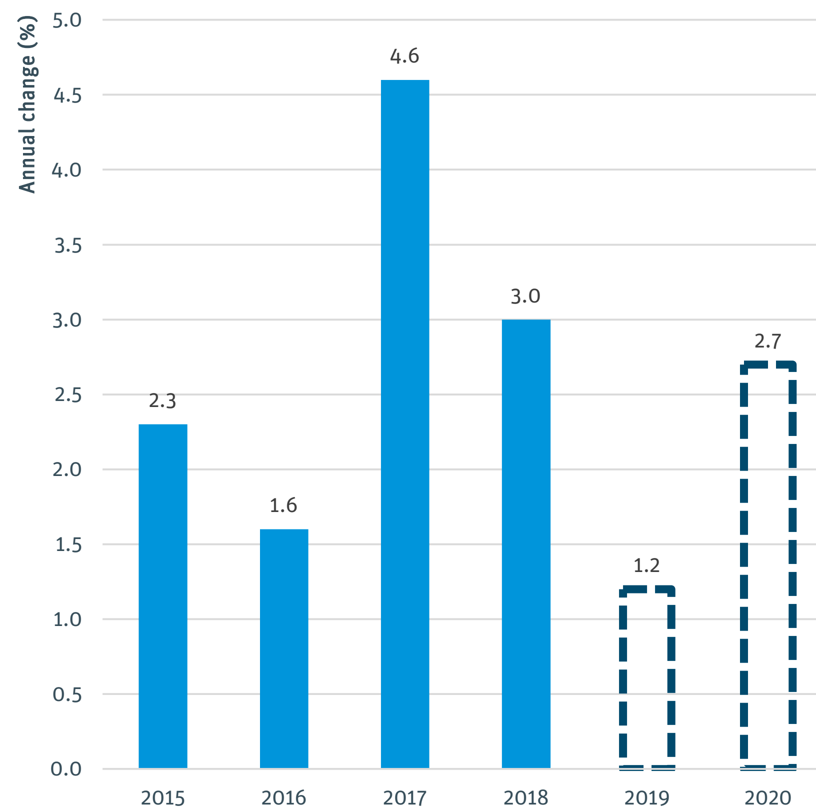
Global Trade Slows

Sustained trade policy uncertainty and higher tariffs have hurt global trade. The negative effects from protracted trade disputes will begin to spill over from manufacturing to services, which could soften strong labor markets. The World Trade Organization (WTO) trimmed 1.4 percent from its 2019 forecast for merchandise trade volume growth due to the continuation of international trade conflicts.

World Trade Stalls Amid Trade Friction



Merchandise Trade Volume Forecasted to Fall



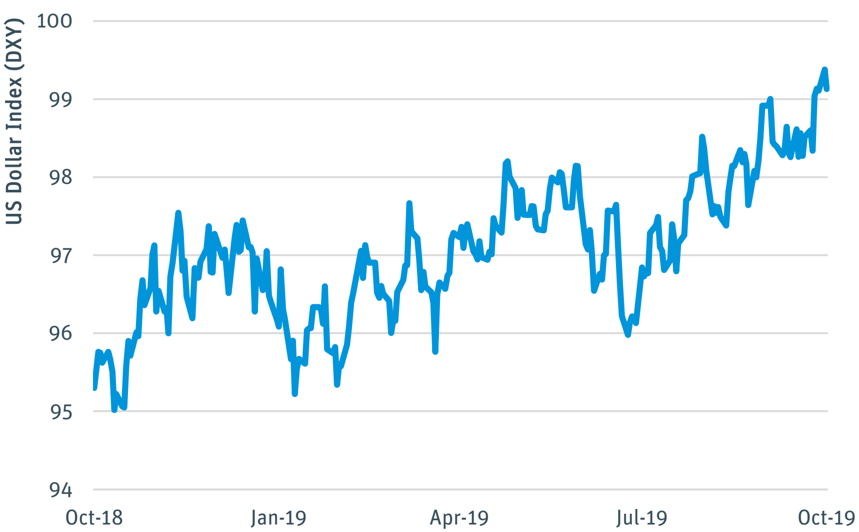
Sources: CPB Netherlands Bureau for Economic Policy Analysis, World Trade Organization and SVB Asset Management. Data as of 10/1/2019.

US Dollar: Still the main draw

Despite two consecutive rate cuts in July and September, the US dollar remains the currency of choice for many investors. The greenback has overwhelmingly been outperforming other currencies in the G10 and emerging markets. A global slowdown, weakness in the Eurozone, Brexit and trade war rhetoric have all kept traders on pins and needles. This has kept safe havens in favorable standings and the US dollar has been one of the major beneficiaries.

The dollar index rallied considerably throughout Q3 as a series of events supported the bullish sentiment. The other currency that benefitted was the Japanese yen. Traders looked to safety as many peripheral currencies fell in sympathy. These dynamics are setting the stage for an interesting outcome to year-end.

USD Hits a High



JPY Jumps in Response for Safe Haven

Sources: Intercontinental Exchange, Bloomberg and Silicon Valley Bank.
Data as of 10/1/2019.

Chinese Renminbi: The pressure mounts

With the constant headlines and trade threats, the pressure on the Chinese yuan pushed the currency past the 7.00 mark. The yuan has steadily climbed from 6.70 since the beginning of Q2 and is now pushing close to 7.15 against the US dollar. The depreciation has been steady and persistent as trade retaliations between the US and China continue to escalate.

The problem is that the conflict is affecting neighboring currencies. The Singapore dollar, Indian rupee and Korean won are all down in sympathy with the Chinese yuan. Volatility has affected most capital market instruments, which continues to oscillate between fear and relief. Until a trade agreement is reached, it's expected that this trend will dominate investor strategies.

CNH Weakness Mounts

South Korean Won Hurt By Trade Disputes

Sources: Bloomberg and Silicon Valley Bank. Data as of 10/1/2019.

Central Banks

Overview

Central banks

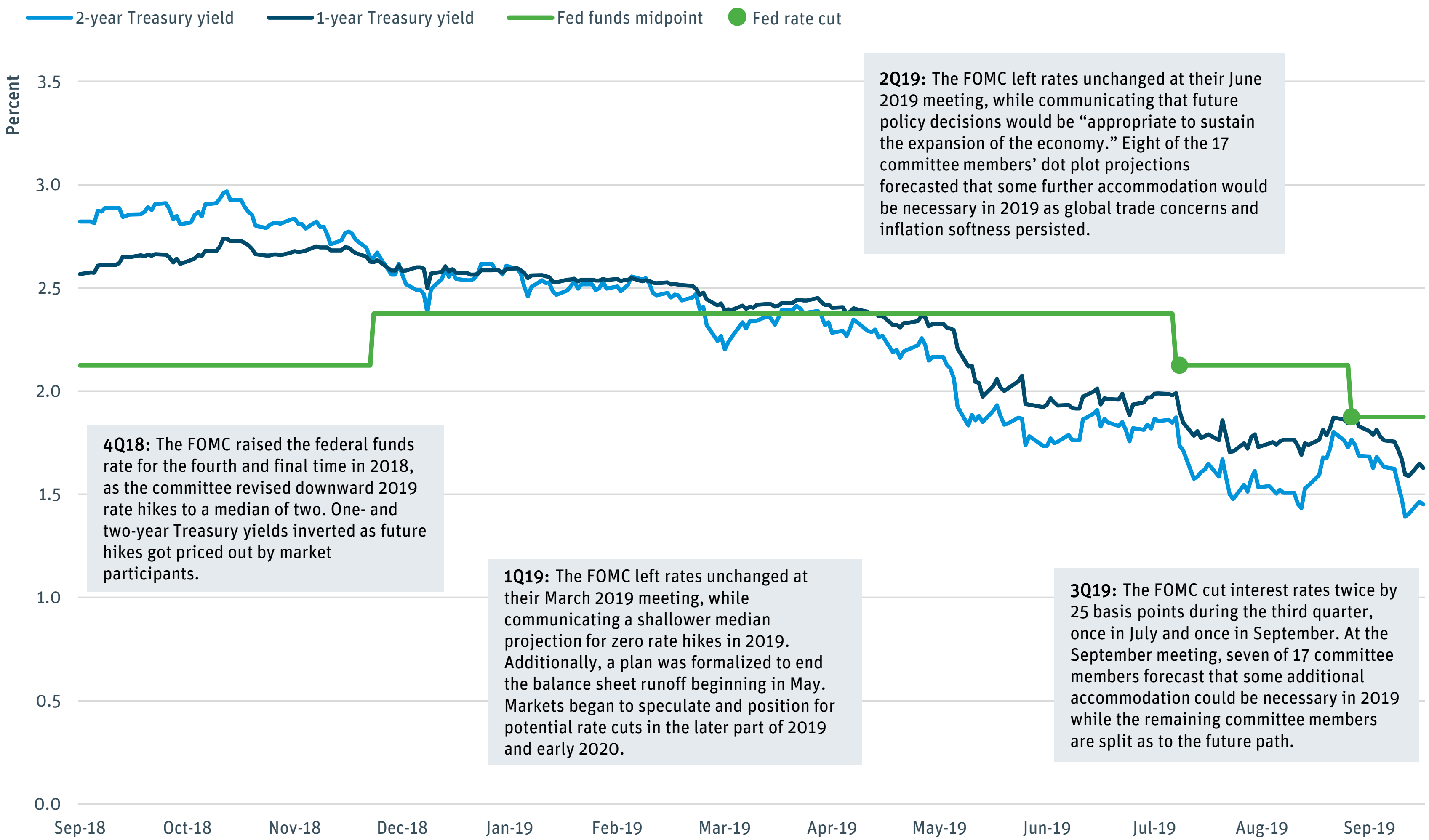
Dovish policy reverberated through global central banks in the third quarter of 2019. Recent projections from the Federal Reserve imply a median forecast from the committee for no additional rate cuts in 2019, although the underlying individual projections showed a much more divided committee. At the individual level, seven of 17 members forecast some sort of additional rate reduction in 2019 could be appropriate, while 10 members indicated that they did not vote for the September cut or that after the September reduction, they thought policy should remain unchanged through year-end. Global “crosscurrents” were again cited as motivation for the September cut – with sub-target inflation, slowing global growth, and continued trade tensions darkening the outlook. Market participants continue to believe that the Fed’s next policy move will be another cut.

Synchronized global growth and inflation outlooks continued to dim in the third quarter. At its September 2019 meeting, reflecting this reality, the European Central Bank (ECB) announced a reduction in the deposit facility rate by 10 basis points and a resumption of asset purchases to provide additional accommodation to the economy. At the same time, with a dovish tilt, no end date was given for asset purchases.

Uncertainties are still pervasive, such as the ultimate resolution to the Sino-American trade war, Britain’s turbulent and prolonged exit from the European Union, the impact of the recent Chinese fiscal stimulus and how the Fed’s stimulus will affect the trajectory of the US economy. For now, the Fed seems to have signaled its willingness to act as appropriate to sustain the expansion, with the data and evolution of the economy influencing future policy moves.

Historical Interest Rates

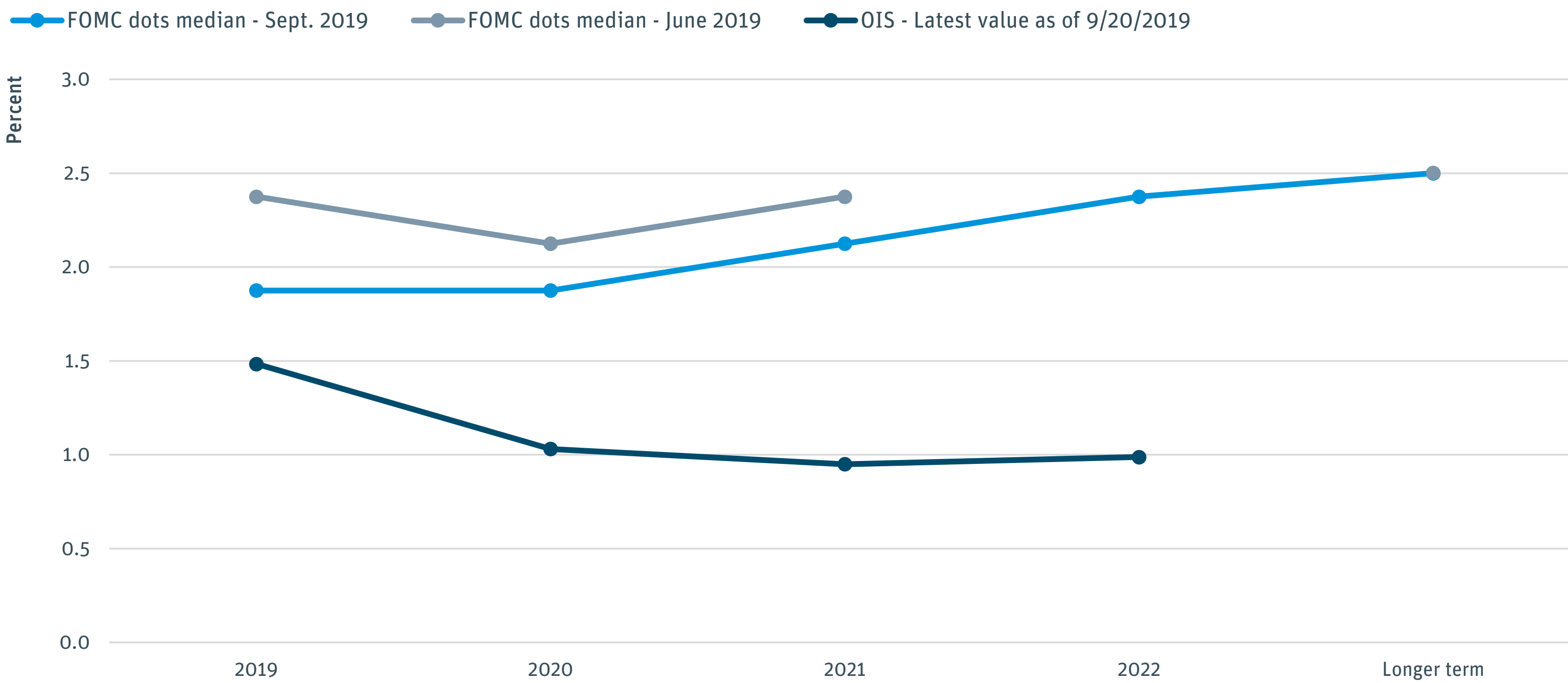
A more accommodative US monetary policy stance materialized in the third quarter of 2019. The Federal Reserve delivered two interest rate cuts with market participants pricing in additional accommodation to be delivered by year-end. The Fed has committed to act as appropriate to sustain the expansion.



Sources: Bloomberg and SVB Asset Management. Data as of 10/8/2019.

Federal Reserve Rate Projections

Committee members' projections for the path of the federal funds rate.



Recent projections from the Federal Reserve imply consensus among the committee for no additional rate hikes in 2019, down from a projection of two in December and three in September of 2018. The median projection highlights a potential rate cut in 2020, with a number of committee members believing more accommodation could be appropriate as early as 2019.

Sources: Bloomberg and Federal Reserve. Data as of 10/8/2019.
Median rate references forecast rate at the end of each period.

Central Bank Economic Projections

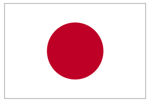
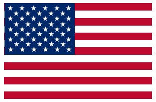
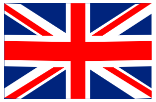
Global growth has moderated though employment has remained strong and synchronous, while inflation has remained relatively subdued.

Economic Projections	2019	2020	2021
United States			
Change in real GDP	2.2%	2.0%	1.9%
Core PCE inflation	1.8%	1.9%	2.0%
Unemployment rate	3.7%	3.7%	3.8%
United Kingdom			
Change in real GDP	1.3%	1.3%	2.3%
CPI inflation	1.6%	2.1%	2.2%
Unemployment rate	3.8%	3.9%	3.6%
Eurozone			
Change in real GDP	1.1%	1.2%	1.4%
CPI inflation	1.2%	1.0%	1.5%
Unemployment rate	7.7%	7.5%	7.3%
China			
Change in real GDP	N/A	N/A	N/A
CPI inflation	N/A	N/A	N/A
Unemployment rate	N/A	N/A	N/A
Japan			
Change in real GDP	0.7%	0.9%	1.1%
Core CPI inflation	1.0%	1.3%	1.6%

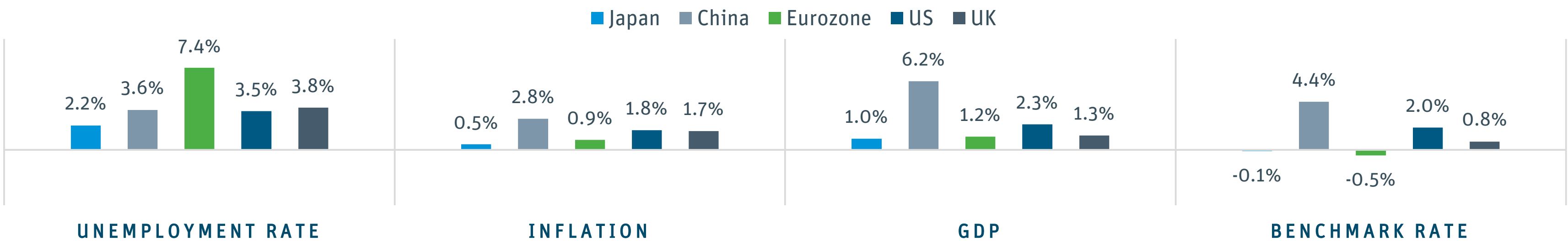
Sources: Federal Reserve, European Central Bank, National People's Congress of China, Bank of Japan and Bank of England. Data as of 10/8/2019. Forecasts are not available for all periods.

Central Banks: The first act begins

While major economies remain in growth mode, the pace of expansion has been dragged down by trade policy and political uncertainties. In response to recent weakness, central banks have begun to take pre-emptive action to prevent a sustained downturn.

					
	Easing				Steady
Current Monetary Policy	• Policy rate: -0.1% • Ten-year JGB target rate: 0% • QE annual purchases: ¥80T JGB ¥6T ETF ¥90T J-REIT	• Deposit rate: 1.5% • Lending rate: 4.35% • Reserve requirement ratio (RRR): 13.0%	• Refinancing rate: 0% • Marginal lending facility: 0.25% • Deposit facility: -0.5% • QE restarted: €20 billion/month	• Fed funds target range: 1.75% to 2.0% • Interest on excess reserves: 1.80% • Maintain current balance sheet size	• Bank rate: 0.75% • QE purchases ended; no change to holdings: £435B gilts £10B corporate bonds
Analysis	BOJ reaffirmed current policy in September, but open to further easing in October, citing weakness in overseas economies.	PBOC cut RRR 50 bps in September, with a larger cut for local banks. Has resisted outright interest rate cuts, instead using liquidity support programs and tax cuts to support economy.	ECB pledged to keep rates at present levels or lower until inflation reaches goal. QE to be open-ended until rates are ready to rise. TLTRO terms lengthened and rate lowered.	Fed action in the near term will mirror economic data, with the Fed likely to respond to signs of a slowdown with another rate cut and/or a balance sheet expansion program.	With Brexit likely to extend beyond October, BOE may be forced off the sidelines and to cut rates to offset economic weakness from prolonged political wrangling.

SNAPSHOT OF ECONOMIC DATA



Sources: Bank of Japan, People's Bank of China, European Central Bank, Bank of England, Federal Reserve Bank and Bloomberg. Data as of 10/9/2019.

Markets and Performance

Overview

Markets and performance

It was a volatile quarter for equity investors. Major equity indices hit all-time highs in July; however, escalating trade tensions and geopolitical risks prompted a reversal in the following month. Finally, in the last month of the quarter, equities rebounded as trade pressures eased.

Year to date, investment-grade and high-yield bonds lagged their equity counterparts. REITs were the top performing sector as its prices surged in Q3, returning 26 percent on the year.

The Federal Reserve cut the fed funds rate twice in Q3. This led to declines on the long end of the curve and temporarily inverting the yield curve for the first time in more than ten years. It was another good quarter for US government bonds, which was helped by Fed rate cuts and concerns about the global growth outlook. Spread products performed well in the quarter, as an accommodative Fed fueled a "reach-for-yield" trading environment.

While the credit environment remained supportive, the surge in volume of new issuance suggested that corporate issuers continued to pile on debt, taking advantage of investor demand and the declining rate environment. The build-up of corporate debt, coupled with slowing margin expansion led to deteriorating fundamentals, albeit at a modest pace.

Broad Market Performance

Asset class returns

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019 YTD
Gold 29.67%	Gold 10.23%	REIT 16.47%	Wilshire 33.06%	REIT 28.24%	S&P 500 1.40%	Crude Oil 44.80%	S&P 500 21.80%	US Aggregate 0.01%	REIT 25.71%
REIT 26.97%	Crude Oil 8.15%	Wilshire 16.05%	S&P 500 32.39%	S&P 500 13.69%	REIT 1.30%	US High Yield 17.13%	Wilshire 21.00%	US High Yield -2.08%	S&P 500 20.55%
Wilshire 17.18%	US Aggregate 7.84%	S&P 500 16.00%	US High Yield 7.44%	Wilshire 12.70%	Wilshire 0.70%	Wilshire 13.40%	Gold 13.70%	Gold -2.10%	Wilshire 20.11%
US High Yield 15.12%	REIT 7.48%	US High Yield 15.81%	Crude Oil 7.32%	US Aggregate 5.97%	US Aggregate 0.55%	S&P 500 12.00%	Crude Oil 12.50%	S&P 500 -4.40%	Crude Oil 19.76%
Crude Oil 15.10%	US High Yield 4.98%	Gold 6.96%	REIT 1.26%	US High Yield 2.45%	US High Yield -4.47%	Gold 8.60%	US High Yield 7.50%	Wilshire -5.30%	Gold 14.95%
S&P 500 15.06%	S&P 500 2.11%	US Aggregate 4.21%	US Aggregate -2.02%	Gold -1.51%	Gold -10.50%	REIT 7.10%	REIT 3.70%	REIT -5.80%	US High Yield 11.41%
US Aggregate 6.54%	Wilshire 0.98%	Crude Oil -7.08%	Gold -28.26%	Crude Oil -45.76%	Crude Oil -30.50%	US Aggregate 2.65%	US Aggregate 3.54%	Crude Oil -25.30%	US Aggregate 8.52%

All returns above are on a total return basis. YTD 2019 returns are on an aggregate basis up to 9/30/2019. US Aggregate refers to Bloomberg Barclays Aggregate Bond Index; US High Yield refers to Bloomberg Barclays US High Yield Index; Gold refers to S&P GSCI Gold Spot; Crude Oil refers to Spot West Texas Intermediate Crude Oil; Wilshire refers to Wilshire 5000 Total Market Index; REIT refers to MSCI US REIT Index; S&P 500 refers to S&P 500 Index.

Sources: Thomson Reuters and Bloomberg Barclays indices.
Past index performance is no guarantee of future results.

Fixed Income Returns

Despite a host of macroeconomic and geopolitical uncertainties, low yields, tame inflation and global central bank easing have pushed investors to reach for yield. Year-to-date performance for Corporates continues to be a bright spot as strong fundamentals, low borrowing costs and healthy profits continues to support the sector. AAA asset-backed securities have also outperformed as credit fundamentals remain in solid shape.

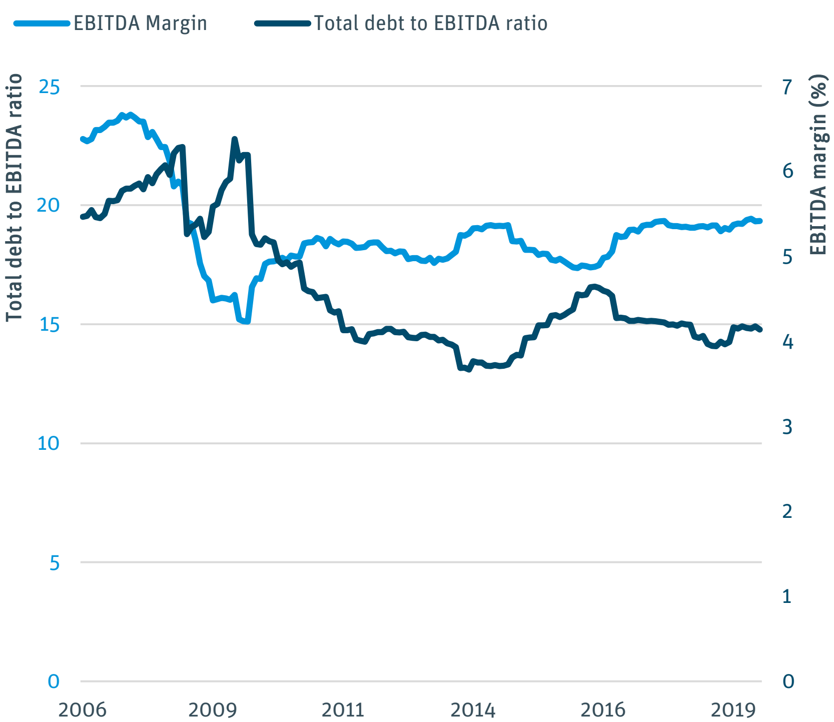
		Current Duration	Current Yield %	Annual Total Return %		Non-annualized Periodic Total Return %				
				YTD 2019	2018	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
US Aggregate Index	US Treasuries	6.60	1.72	7.71	0.90	2.40	3.01	2.11	2.57	-0.59
	US Agencies	4.05	1.90	5.98	1.36	1.74	2.32	1.81	1.90	-0.01
	Corporates	7.83	2.93	13.20	-2.51	3.05	4.48	5.14	-0.18	0.97
	US MBS	2.73	2.45	5.60	1.01	1.37	1.96	2.17	2.08	-0.12
	US ABS	2.23	2.04	4.13	1.77	0.92	1.67	1.48	1.25	0.49
	US CMBS	5.27	2.33	8.64	0.80	1.89	3.28	3.24	1.72	0.46
US Short Duration	1-3 Year US Treasuries	1.90	1.68	3.07	1.55	0.58	1.47	0.99	1.31	0.19
	1-3 Year US Agencies	1.55	1.82	3.02	1.77	0.66	1.32	1.01	1.25	0.31
	1-3 Year Corporates	1.83	2.23	4.40	1.57	0.96	1.55	1.83	0.78	0.70
	<1 Year Corporates	0.51	2.24	2.49	2.27	0.68	0.85	0.94	0.60	0.70
	AAA Credit Card ABS	2.53	1.97	4.35	1.67	1.02	1.78	1.49	1.34	0.45
	AAA Auto ABS	1.90	2.03	3.71	1.76	0.77	1.50	1.39	1.05	0.53

Sources: Bloomberg Barclays indices. Data as of 9/30/2019.
Heatmap colors based on periodic return percentage for time period shown. Past performance is not a guarantee of future results.

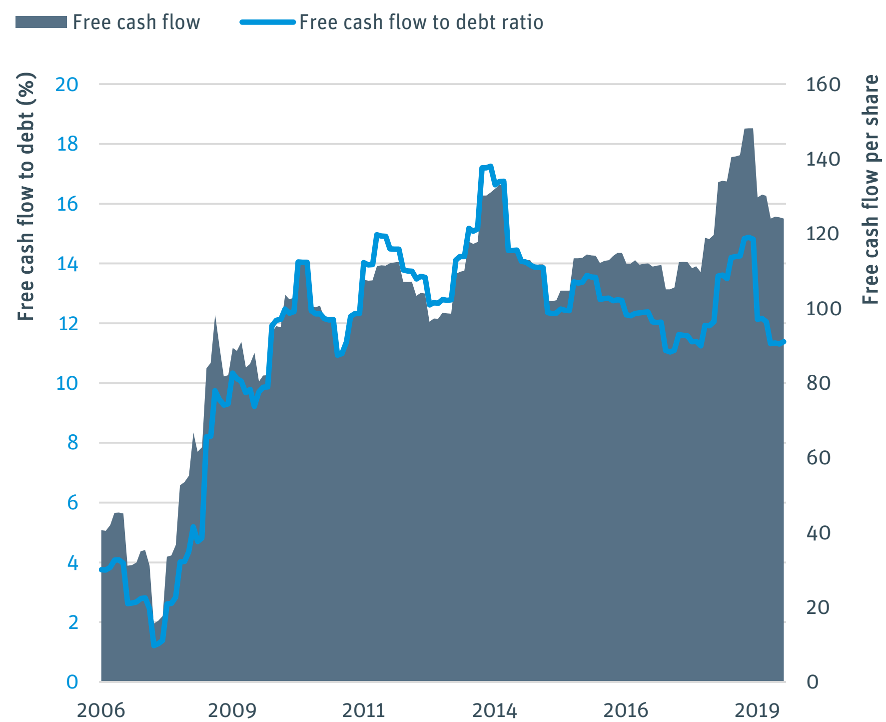
Corporates: Debt growth still rising

Based on Q3 2019 data, corporate credit metrics remained broadly stable but have started to slowly deteriorate from their peak performance in 2018. EBITDA margin expansion stalled, while leverage rose slightly due to increased corporate bond issuance. Higher debt load coupled with falling free cash flow resulted in declining debt coverage capacity. Cash payouts to shareholders continued to increase while capex slowed. However, deterioration remained modest.

S&P 500 Leverage and EBITDA Margin



S&P 500 Free Cash Flow and Debt Coverage

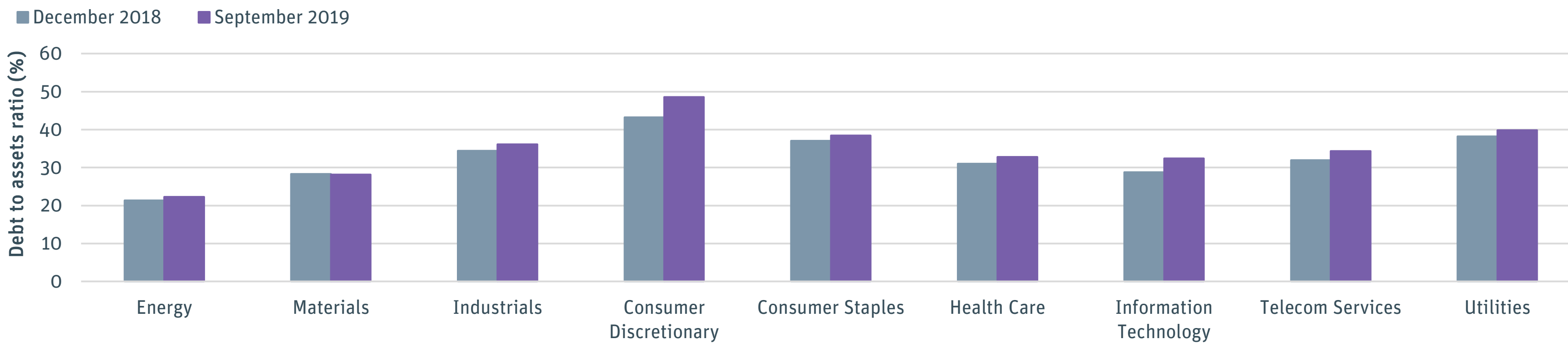


Source: Bloomberg. Data as of 9/30/2019.

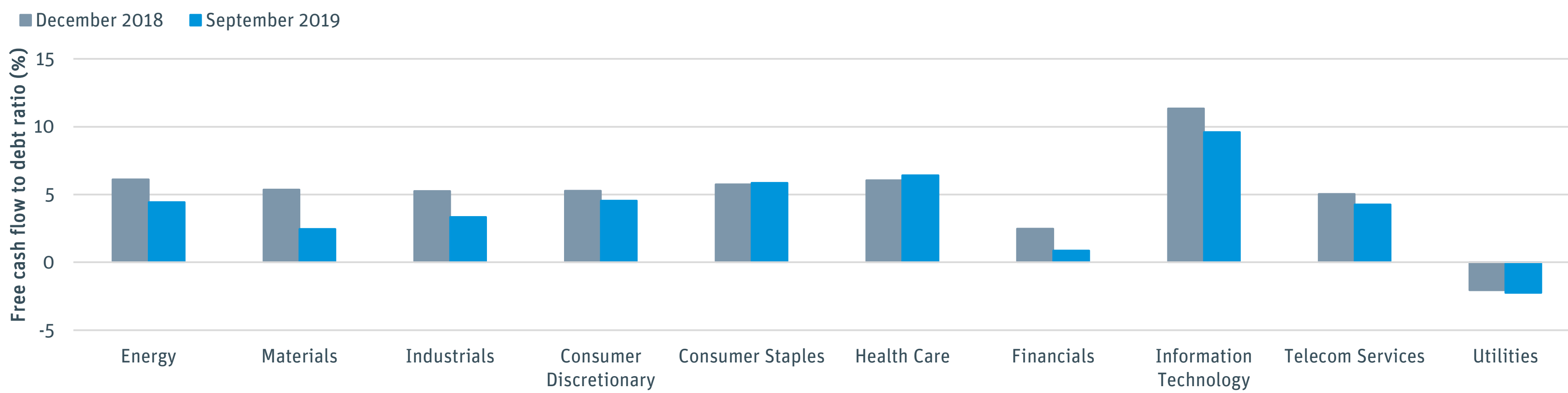
Corporates: Mixed trends in sector credit metrics

Credit metrics varied at the sector level. Most sectors saw their debt piles increase since year-end 2018, with the highest growth in Informational Technology (13%), Consumer Discretionary (12%) and Telecom Services (8%). Debt coverage ratios declined across the board, with exceptions in Consumer Staples and Health Care. Utilities was an outlier with weaker credit quality relative to other sectors due to high leverage and high level of capex, leading to notable deterioration in coverage.

S&P 500 Debt to Assets (ex-Financials)



S&P 500 Debt Coverage (ex-Financials)

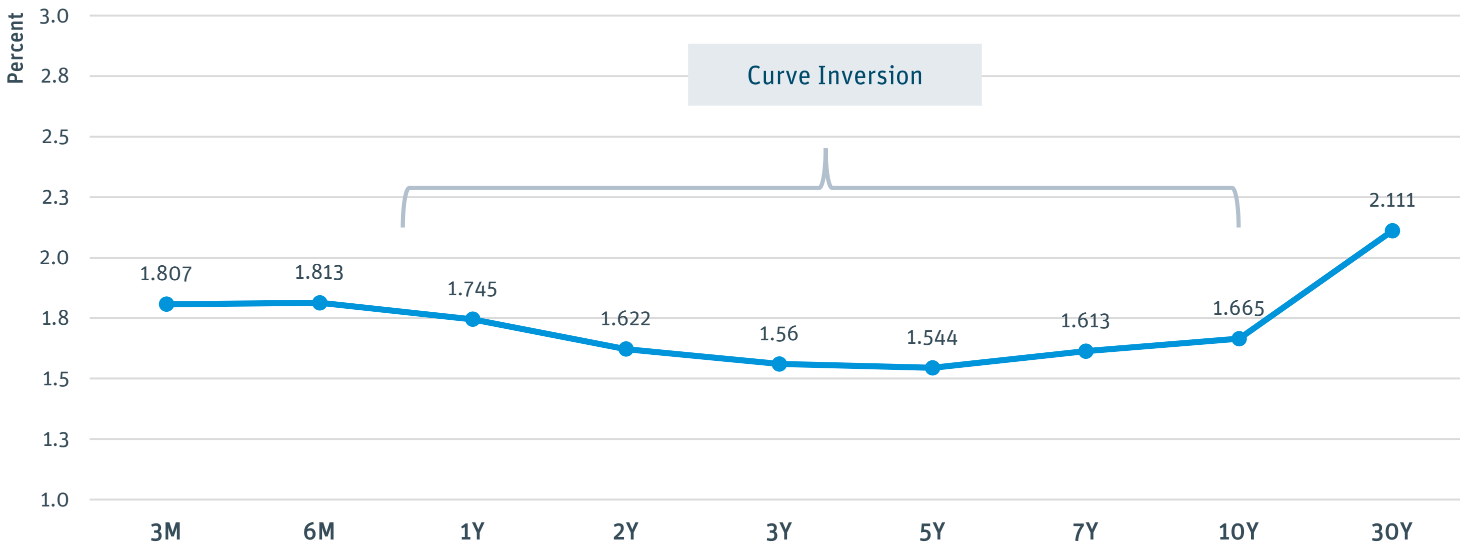


Source: Bloomberg. Data as of 9/30/2019.

2019 Yield Curve: Continued inversion

The front-end yield curve inversion has continued for most of 2019. This inversion has been led primarily by maturities from 1-year to 3-years. The 3-to 6-month part of the curve has remained elevated partly due to these maturities being tied more to current Fed Funds while the rest of the curve is pricing more rate cuts from the Fed. This inversion has been witnessed in past cutting cycles, ahead of the FOMC cutting rates. Leading the view that the Fed will continue cutting is trade uncertainties, weak global growth, muted inflation and the over $14 trillion in negative yielding bonds globally.

US Treasury Yields: On-the-run issues



	3M	6M	1Y	2Y	3Y	5Y	7Y	10Y	30Y
12/31/2018	2.361	2.482	2.599	2.49	2.459	2.512	2.587	2.685	3.015
9/30/2019	1.807	1.813	1.745	1.622	1.56	1.544	1.613	1.665	2.111
Change	-0.554	-0.669	-0.854	-0.868	-0.899	-0.968	-0.974	-1.02	-0.904

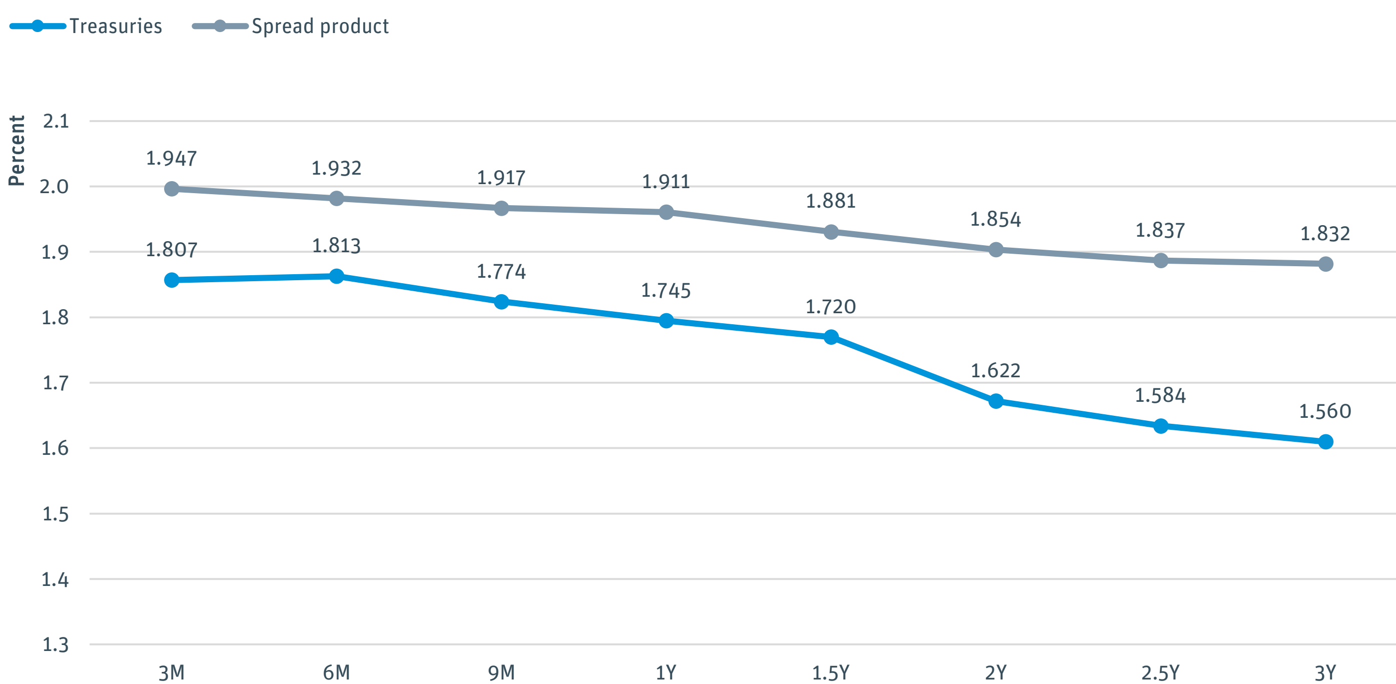
Sources: SVB Asset Management and Bloomberg. Data as of 09/30/19.
Past performance is not a guarantee of future results. The above is not to be construed as a recommendation for your particular portfolio.

Relative Value: Attractive spread product yields

Spread products, such as corporate bonds and asset-backed securities, offer portfolio diversification and historically attractive enhanced income over comparable Treasuries.

At the end of the third quarter, the average yield pickup was 19 basis points, with 24 months to 36 months offering the most attractive pickup at 25 basis points.

Spread Product Yield vs. Treasuries



Source: SVB Asset Management and Bloomberg. Data as of 9/30/2019. Past performance is not a guarantee of future results. The above is not to be construed as a recommendation for your particular portfolio.

Our Team and Report Authors

Ninh Chung
Head of SVB Asset Management
nchung@svb.com

Renuka Kumar, CFA
Head of SAM Portfolio Management
rkumar@svb.com

Eric Souza
Senior Portfolio Manager
esouza@svb.com

Jose Sevilla
Senior Portfolio Manager
jsevilla@svb.com

Paula Solanes
Senior Portfolio Manager
psolanes@svb.com

Steve Johnson, CFA
Senior Portfolio Manager
steve.johnson@svb.com

Hiroshi Ikemoto
Fixed Income Trader
hikemoto@svb.com

Jason Graveley
Fixed Income Trader
jgraveley@svb.com

Kevin Li
Fixed Income Trader
kli@svb.com

Fiona Nguyen
Senior Credit Risk & Research Officer
pnguyen@svb.com

Tim Lee, CFA
Senior Credit Risk & Research Officer
tlee@svb.com

Guest contributor

Minh Trang, CFA
Senior FX Trader
mtrang@svb.com


svb
Asset Management