Asset Management

Quarterly Economic Report

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

Q1 2020

Quarterly Economic Report

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Thoughts From the Desk

As we closed out 2019, the last year of the decade, and four consecutive years of monetary policy action (first with the period of sustained rate hikes, then the swift pivot into rate cuts last year), many were anticipating a relative sense of calm in the rates market for the first half of 2020. It is true that headwinds had diminished heading into the year — notably, with progress being made on the trade front through the Phase One deal enacted with China, and also on Brexit, with the UK now having a majority government to facilitate its exit from the European Union. Furthermore, the domestic economy had by and large been in a position of strength with continued low unemployment and healthy consumer spending. However, as we've seen in just the first few weeks of 2020, the markets have had something else in store for us.

We've highlighted in recent insights the potential for event risk in 2020 leading to market volatility, and fresh events have proved to be the perfect example of this. Geopolitical events in the Middle East and concerns over a global pandemic have spurred recent risk-off trades and sent Treasury yields lower as investors sought the safe-haven of US government bonds. In fact, we have seen yields fluctuate by as much as 15 basis points on the front end of the yield curve and close to 25 basis points on the longer end. This type of short-term market volatility should be just that, and without a material reassessment of the economic picture, the Fed should continue to be on hold in the near future — which, as we have witnessed, does not necessarily translate into tranquil markets.

Looking ahead, we will be monitoring myriad factors to gauge the macro-economic outlook. Continued negotiations on global trade, US elections, stubbornly low inflation, global central bank policy and overall global growth will largely dictate the future path of the economy and the resulting response from the FOMC. Until then, short-term market dislocations and the relative attractiveness of investment-grade corporate bonds should continue to provide opportunity for risk-adjusted performance.

Domestic Economy

Overview

Domestic economy

The year ended on a more positive note as trade tensions eased with a Phase One deal in the works. For the most part, the US economy fared well despite the headwinds created by ongoing trade tensions, which were in part offset by swift monetary policy, with the Federal Reserve cutting rates three times in a row starting in July.

Third-quarter GDP reflected that the US economy remained relatively steady at 2.1 percent. Similar to the prior quarter, the consumer was the main driver of the economy, while trade tensions continued to weigh on business sentiment, causing businesses to postpone spending. Despite the uncertainty created by trade tensions in 2019, the consumer continued to be resilient with a 3.2 percent increase in consumer spending in the third quarter. Consumption should remain resilient in 2020, buoyed by steady wages, a tight labor market and accommodative monetary policy.

On the jobs front, the US economy added just over 2 million jobs in 2019, averaging about 173,000 jobs per month. The unemployment rate was at a 50-year low at 3.5 percent at year-end while the broad-based participation rate was relatively unchanged. The participation rate for the 25- to 54-year old subgroup reached 10-year high.

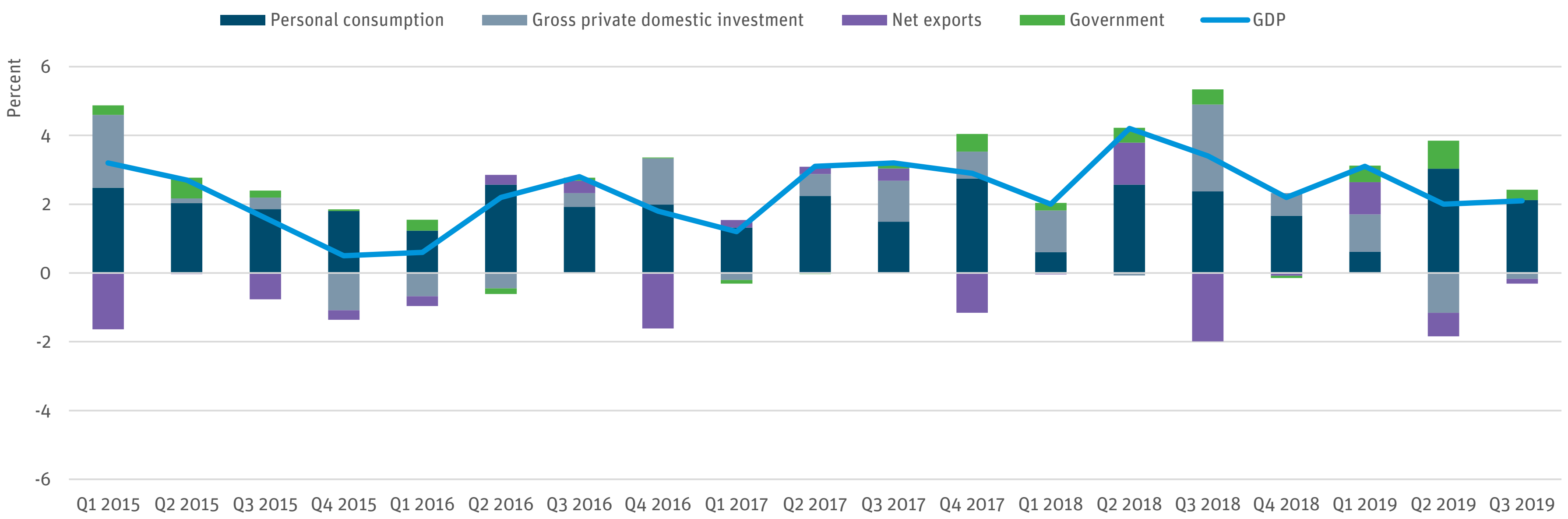
The housing sector remained steady in part due to decreasing mortgage rates through 2019, which helped improve home affordability despite higher home prices. In addition, lower mortgage rates have supported home-buyer demand and relatively higher levels of refinancing.

US business confidence was clouded by trade tensions, which weighed on businesses for the majority of 2019. Toward year-end, as trade tensions dissipated, business sentiment improved modestly.

GDP: Steady growth

Third-quarter GDP growth remained relatively steady at 2.1 percent. Similar to the prior quarter, the consumer was the main driver of the economy with a 3.2 percent increase in consumer spending. Lower inventories, business investment and net exports offset consumption. Trade tensions continued to weigh on business sentiment, causing businesses to postpone spending. Toward year-end, trade tensions dissipated, potentially improving the outlook for 2020. In addition, accommodative monetary policy will help support growth in the new year.

GDP and Components

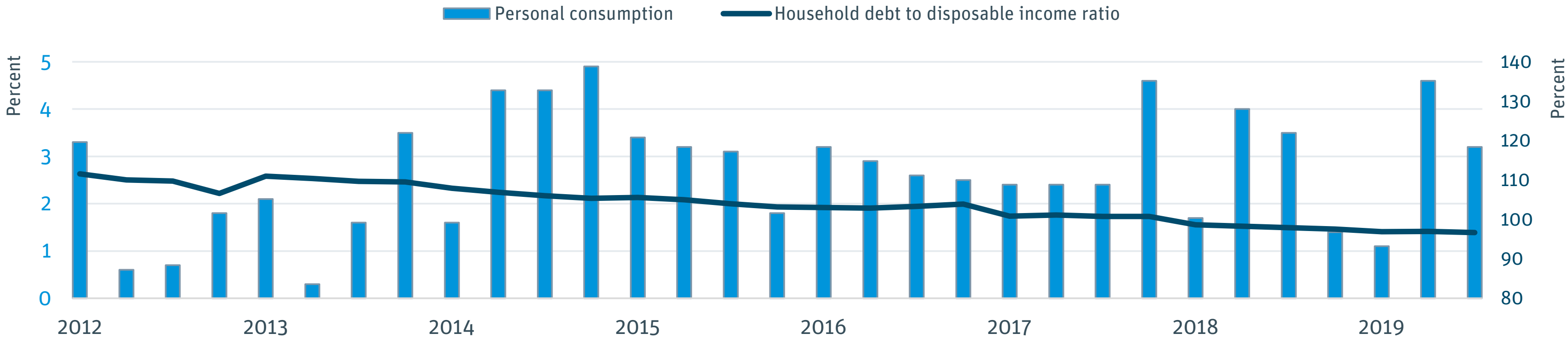


Sources: Bureau of Economic Analysis, Congressional Budget Office and SVB Asset Management. Data as of 12/27/2019. GDP values shown in legend are percent change vs. prior quarter on an annualized basis.

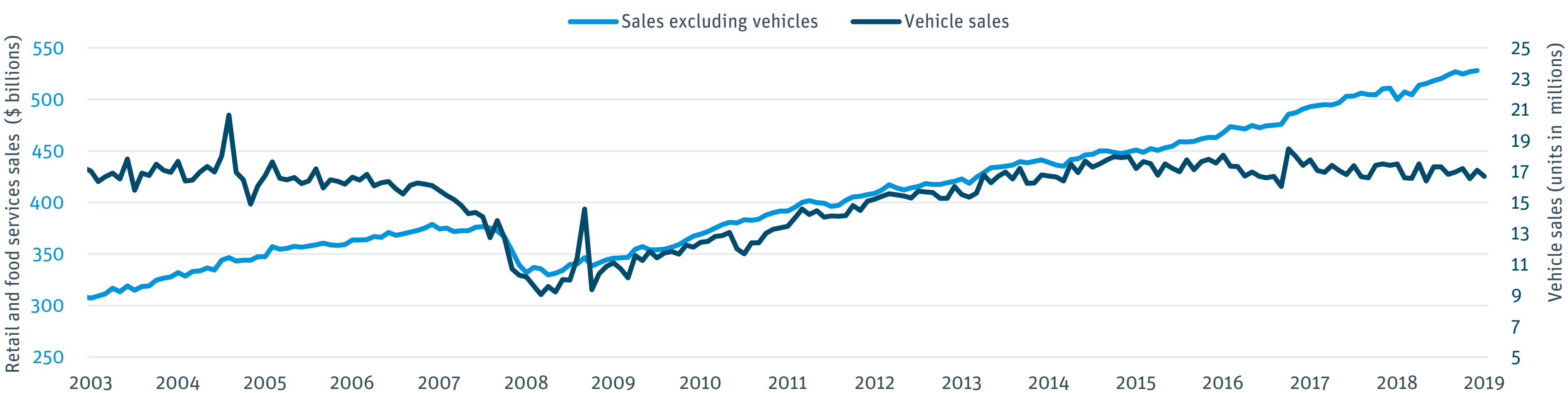
Consumption: Resilient despite headwinds

Despite the uncertainty created by trade tensions in 2019, the consumer continued to be resilient with a 3.2 percent increase in the third quarter. Household debt to disposable income remained steady, while retail sales continued to climb and vehicle sales moved sideways. Consumption should remain resilient in 2020, buoyed by steady wages, a tight labor market and accommodative monetary policy.

Consumption Overview



Retail and Food Services Sales

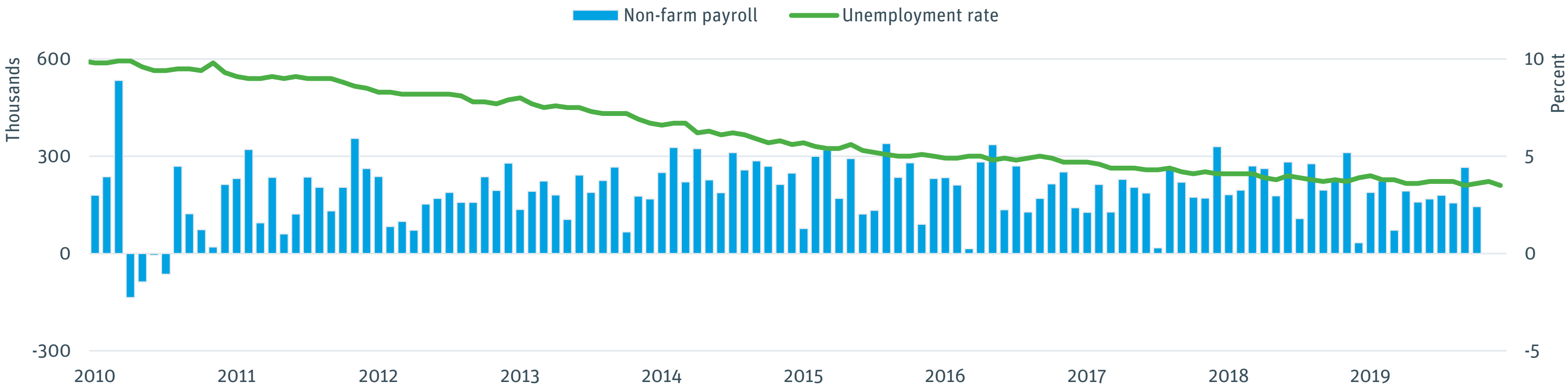


Sources: Bloomberg and SVB Asset Management. Data as of 1/7/2020.

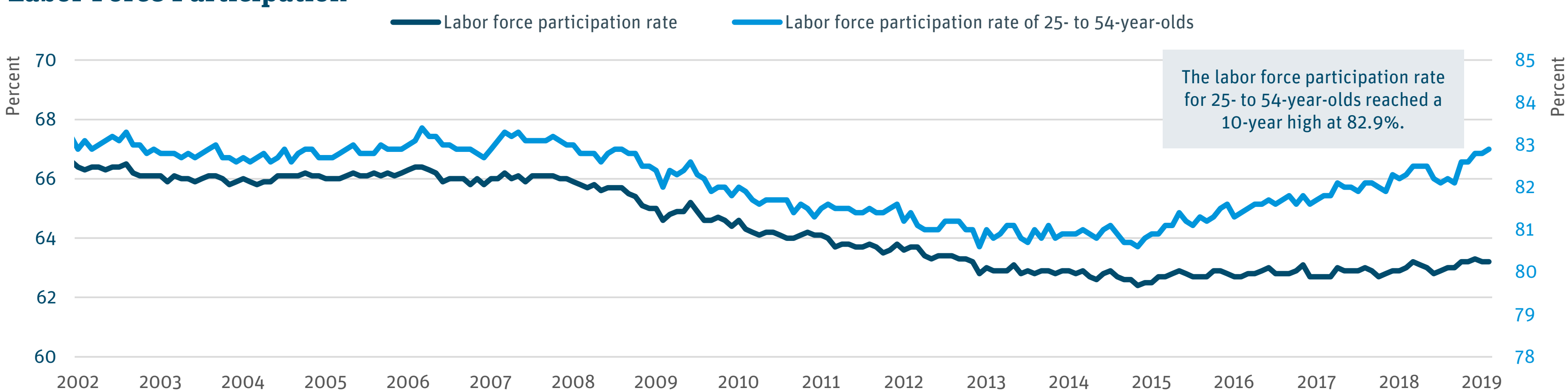
Employment: Steady job growth

The US economy added just over 2 million jobs in 2019, averaging about 173,000 jobs per month. The unemployment rate was at a 50-year low at 3.5 percent at year-end, while the broad-based participation rate was relatively unchanged. The participation rate for the 25- to 54-year old subgroup reached a 10-year high.

Employment Landscape



Labor Force Participation

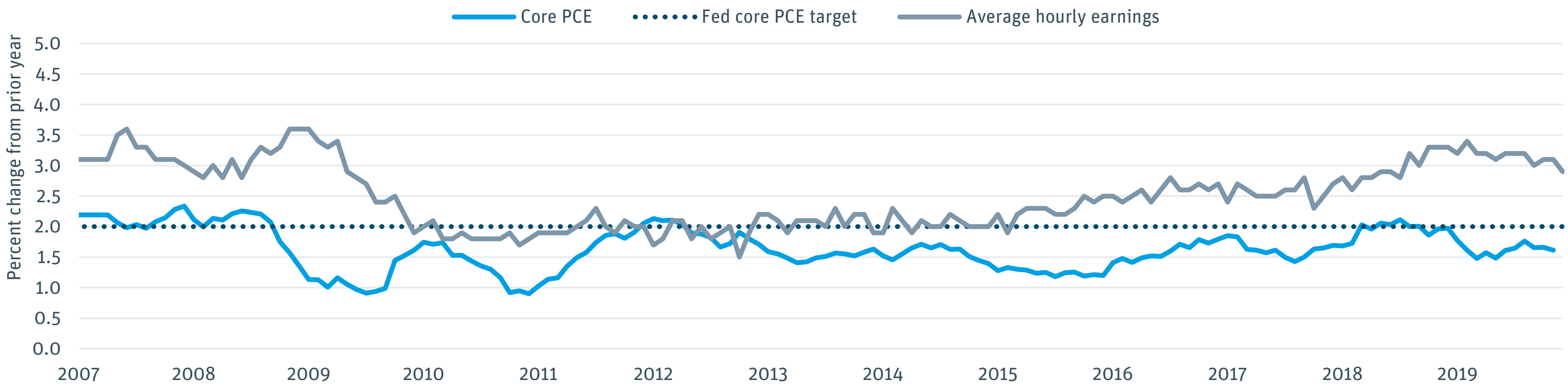


Sources: US Bureau of Labor Statistics, Bloomberg and SVB Asset Management.
Data as of 1/10/2020.

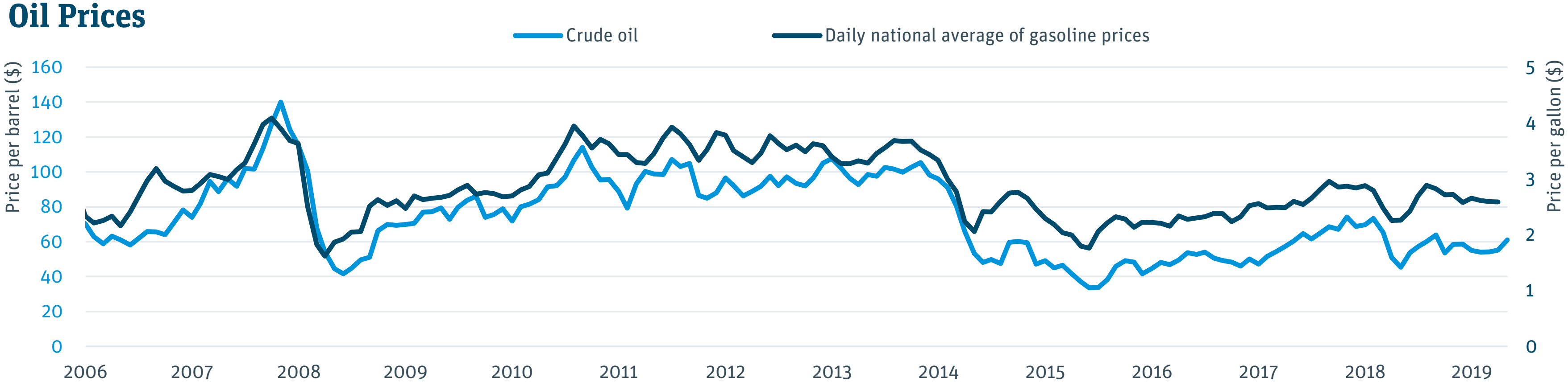
Inflation: Subdued

The trio of consecutive federal funds target rate cuts in 2019 was in part possible due to subdued inflation. In 2020, the Fed is likely to monitor the effectiveness of the cuts and keep rates on hold. Meanwhile, consumer prices are expected to be contained due to steady innovative improvements and limited wage growth. In addition, geopolitical events may create some volatility for oil prices.

Core PCE



Oil Prices

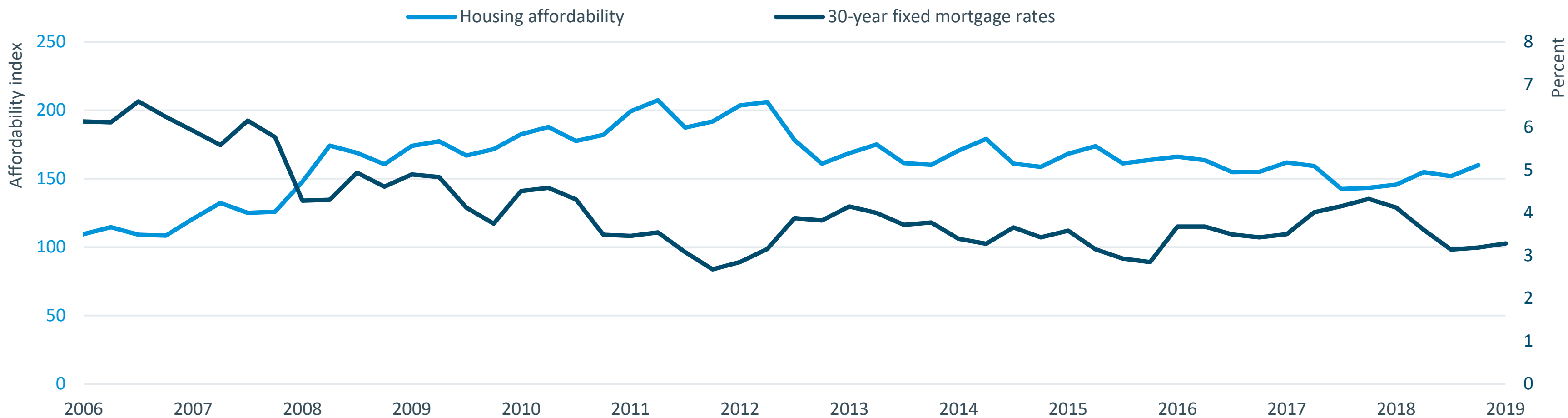


Sources: Bloomberg and SVB Asset Management. Data as of 1/10/2020.

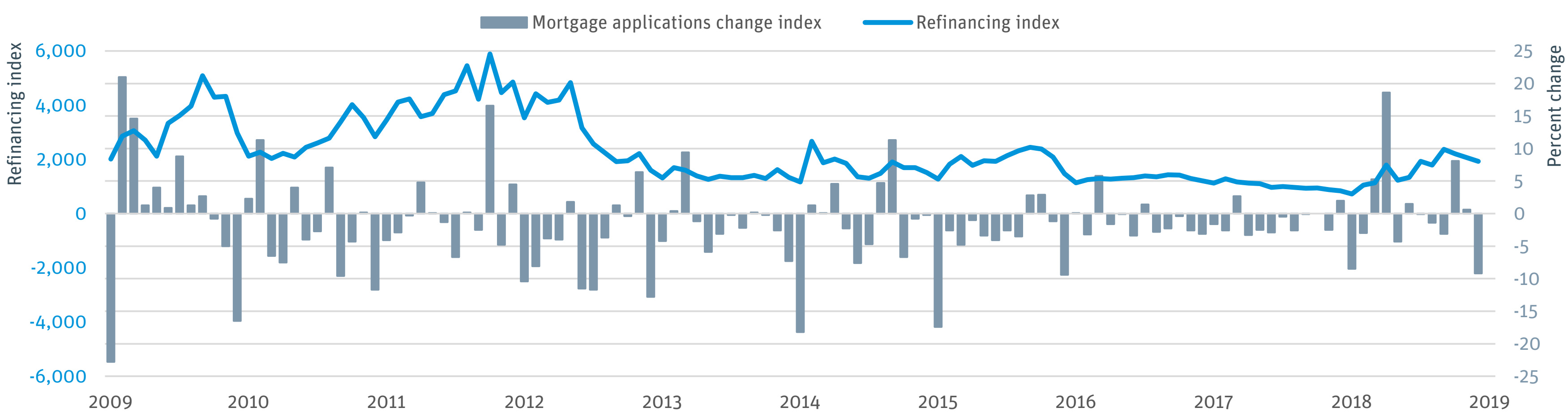
Housing: Stable

Decreasing mortgage rates through 2019 helped improve home affordability despite higher home prices. In addition, lower mortgage rates have supported relatively higher levels of refinancing.

Housing Affordability



Mortgage Applications and Refinancing

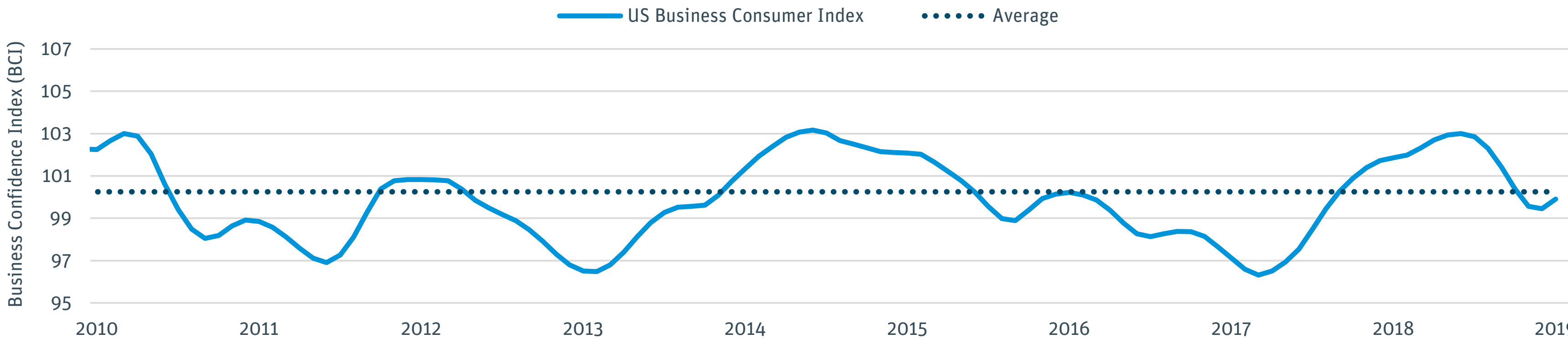


Sources: Bloomberg and SVB Asset Management. Data as of 1/7/2020.

Business Outlook: Uncertainty persists

Trade tensions weighed on businesses for the majority of 2019, but as trade tensions dissipated toward year-end, business sentiment improved modestly. In the last six months, regional Fed surveys were clouded by the trade outlook. While manufacturing PMI continues to struggle, the services sector rebounded slightly toward year-end.

Business Confidence Index



Business Sentiment

	Dallas Fed Manufacturing Survey	Philly Fed Manufacturing Survey	New York Fed's 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	0.0	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
October-19	-5.1	5.6	4.0	-3.0	8.0	48.3	54.7
November-19	-1.3	10.4	2.9	-3.0	-1.0	48.1	53.9
December-19	-3.2	0.3	3.5	-8.0	-5.0	47.2	55.0

Sources: Bloomberg, OECD and Business Confidence Index. Data as of 1/8/2020.
Heatmap colors based on the indices and time periods shown.

Global Economy

Overview

Global economy

With few exceptions, economic expansion will be prevalent across the globe in 2020, even though the political discord and trade policy uncertainties that weighed heavily on the global economy in 2019 will persist into the new year. World GDP is estimated to increase at a 2.9 percent pace in 2020, according to the Organisation for Economic Co-operation and Development (OECD), which is the same pace as 2019. Emerging economies are anticipated to expand at a 4.5 percent pace, while developed economies should grow at a 1.5 percent pace, according to Bloomberg estimates.

The global economy will begin the year with some momentum, as trade tensions between the US and China are set for a retreat. The UK now has a majority government to manage its exit from the European Union, and major central banks in the US, EU and China have loosened monetary conditions. In addition, fiscal stimulus will increase in certain countries, including Russia, Japan and Indonesia. Fiscal expansion is still in short supply and missing an ingredient for faster global growth, particularly in Europe.

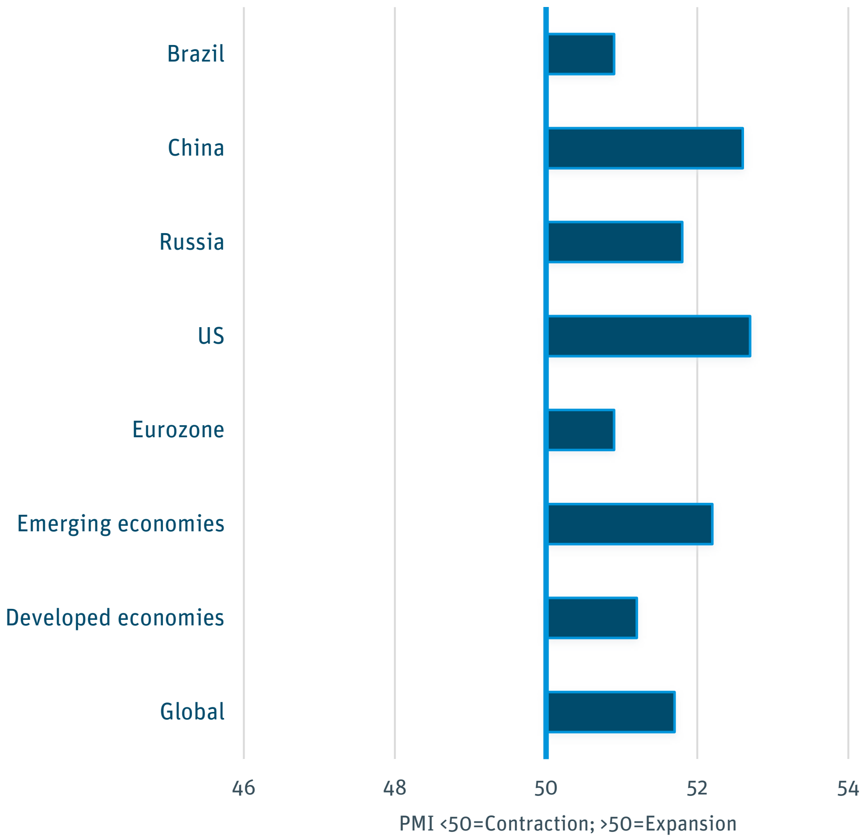
Nonetheless, strong employment conditions, particularly in most developed economies, continue to form the foundation for global expansion. Low unemployment levels have helped drive demand for services and kept consumer credit conditions good. Emerging economies, which have been hampered by weaker currencies and political strife, have the potential to enhance global growth, as interest rates there have room to fall and dogmatic politics could wane to yield a calmer environment for capital and investment flows.

Global Expansion Persists

Economic activity ended the year in expansion mode, as manufacturing climbed back from a midyear contraction. Output and business activity were near zero growth levels in developed countries, while emerging economies exhibited modest growth. Most countries are forecasted to be in expansion mode in 2020, with only a few exceptions.

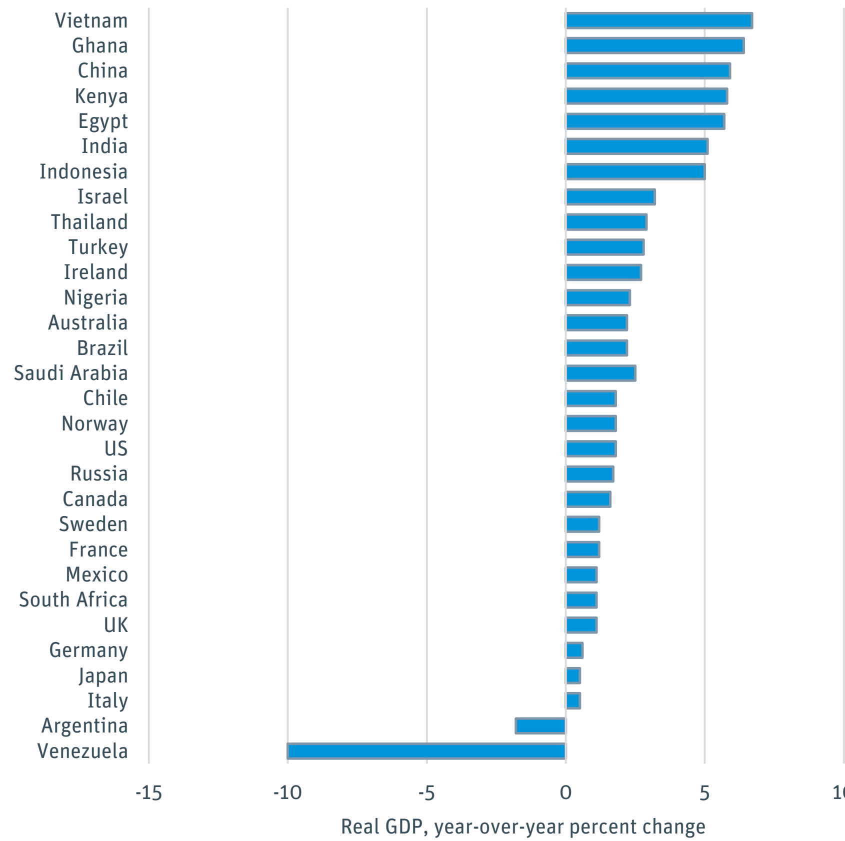
Global Economy in Expansion Mode

Composite PMI December 2019



GDP Forecasted to Be Positive in Most Countries

2020 median GDP change estimates



Sources: JPMorgan, Markit and Bloomberg. Data as of 1/10/2020.

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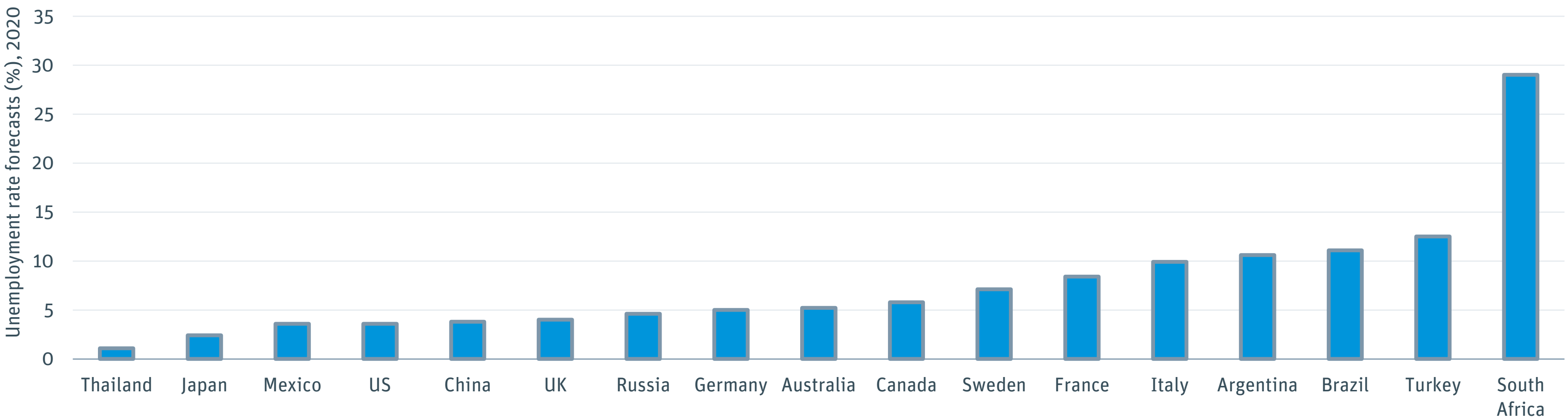
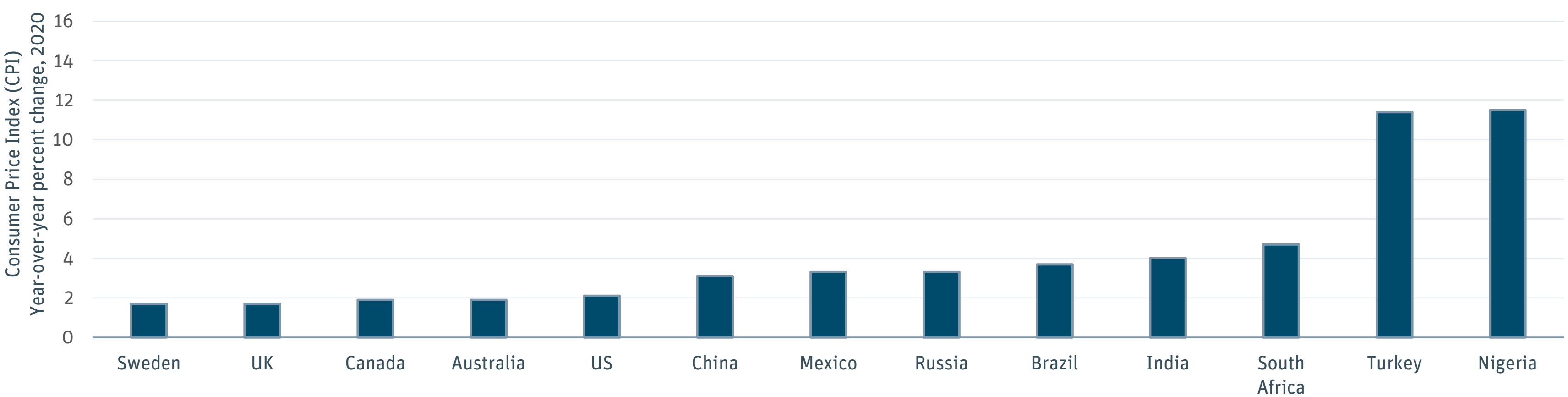
Economic Forecasts Are Supportive

The strong employment conditions that have kept economic activity in expansion mode in the face of political and trade frictions are forecasted to continue into 2020.

Employment Anticipated to Remain Strong



Contained Inflation Expected in Most Countries

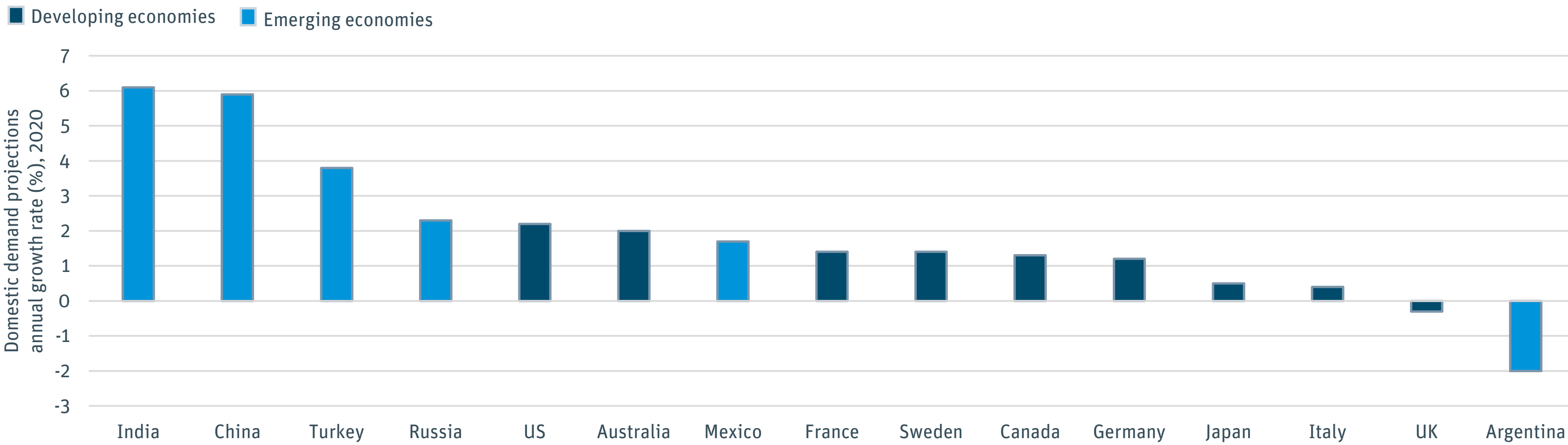


Sources: Bloomberg and OECD. Data as of 1/10/2020.

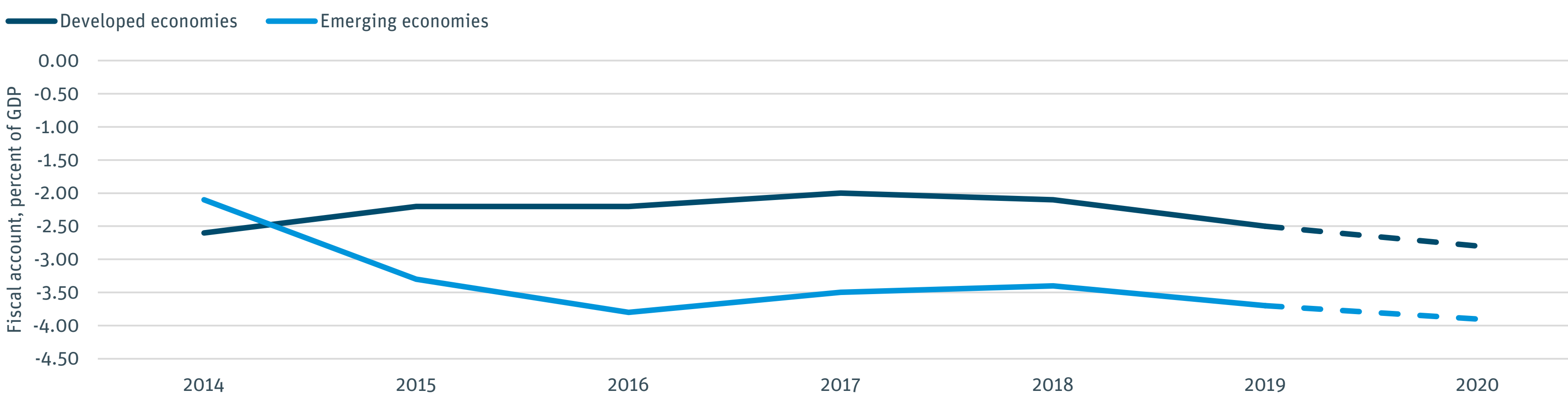
Potential for Enhanced Global Growth

Consumption growth is expected to be at unexceptional levels, helping to keep inflation contained. Modest fiscal stimulus is forecasted to complement still accommodative monetary conditions.

Consumption Will Contribute to Growth



Modest Fiscal Stimulus Projected to Back Growth

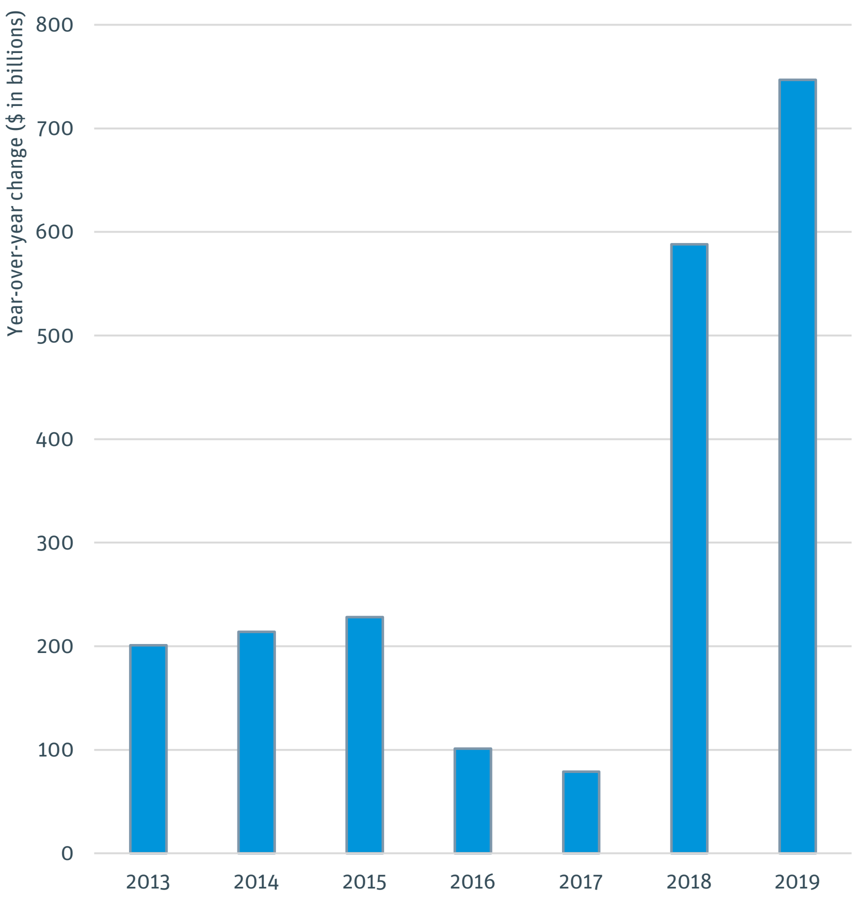


Sources: Bloomberg and OECD. Data as of 1/10/2020.

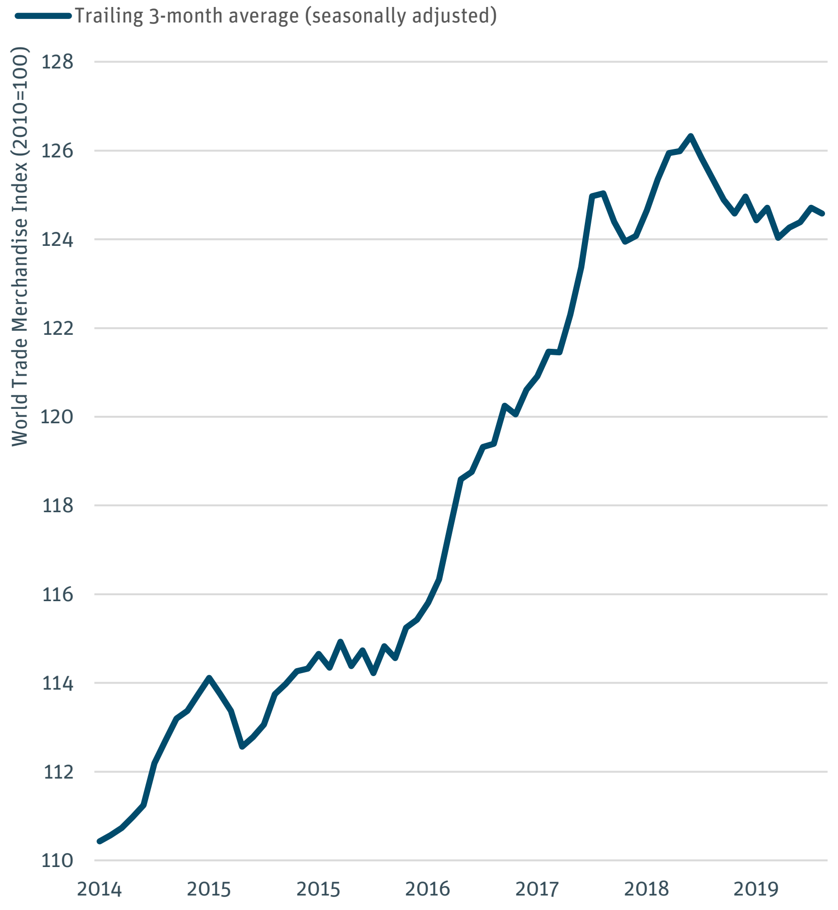
Global Trade Slows

The last two years have seen a significant increase in the dollar amount of goods subject to higher tariffs and duties, as well as outright bans. Many of these new restrictions are politically motivated. The cumulative effects of imposed trade barriers, along with uncertainty over future policies, have weighed on world trade activity.

Goods Subject to Higher Taxes and Restrictions Jumped



World Trade Stalls Amid Increasing Restrictions



Sources: CPB Netherlands Bureau for Economic Policy Analysis, World Trade Organization and SVB Asset Management. Data as of 1/10/2020.

Central Banks

Overview

Central banks

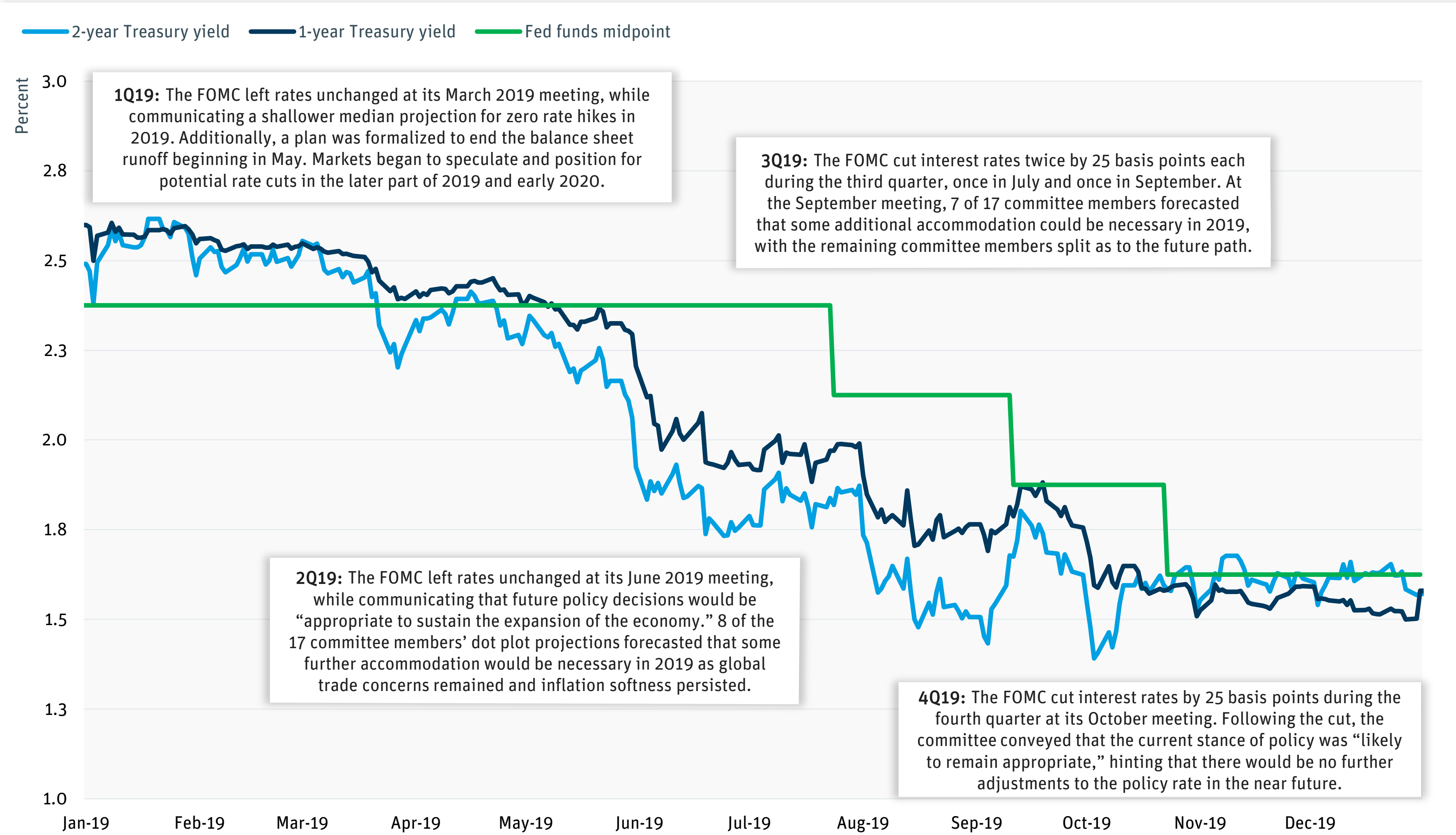
Dovish policy continued throughout global central banks in the fourth quarter of 2019. After one final rate cut in October, projections from the Federal Reserve suggested no impending changes in the policy rate, implying that policy is in an appropriate place after three rate cuts and is likely to remain unchanged barring any material reassessments of the Fed's outlook. As the committee looks ahead to 2020, at the individual level 13 of 17 Fed members forecasted no changes will be necessary in the new year, while four Fed members projected that rates may in fact need to increase in 2020. Further reinforcing this message, the Fed removed wording in its December policy statement around "uncertainties about the outlook." Despite this emphasis, market participants continue to speculate that the Fed's next policy move may in fact need to be a further cut.

Synchronized global growth and inflation outlooks continued to dim in the fourth quarter. In November, the European Central Bank (ECB) restarted its bond buying program at a clip of 20 billion euros per month. At its December 2019 meeting, reflecting this dovish stance, the ECB reiterated that it expects rates to remain at current or lower levels until inflation returns to close to 2 percent. 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 with an anticipated Phase One deal in the first quarter of 2020, 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 a pause in further action, with the data and evolution of the economy dictating future policy moves.

Historical Interest Rates

A more accommodative US monetary policy stance continued in the fourth quarter of 2019. The Federal Reserve delivered one additional interest rate cut in October but signaled that the bar for further action was quite high and policy was likely to remain unchanged for the foreseeable future.



Sources: Bloomberg and SVB Asset Management. Data as of 1/7/2020.

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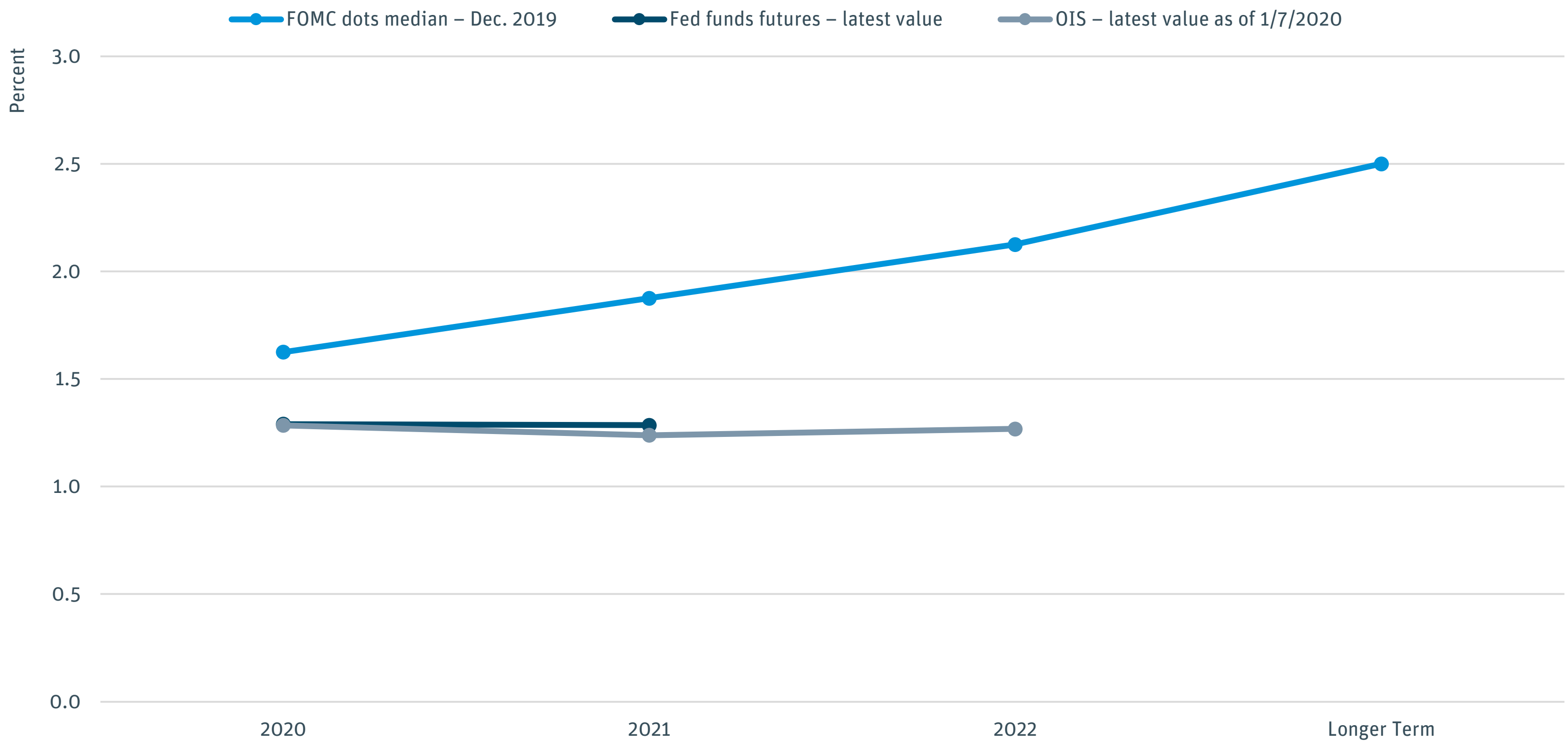
Federal Reserve Rate Projections

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 changes in 2020. The median projections highlight a potential rate hike in 2021 and 2022, with a number of committee members believing more changes could become necessary.

Sources: Bloomberg and Federal Reserve. Data as of 1/7/2020.
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	1.6%	1.9%	2.0%
Unemployment rate	3.6%	3.5%	3.6%
United Kingdom			
Change in real GDP	1.4%	1.2%	1.8%
CPI inflation	1.5%	1.5%	2.0%
Unemployment rate	4.0%	4.0%	3.8%
Eurozone			
Change in real GDP	1.2%	1.1%	1.4%
CPI inflation	1.2%	1.0%	1.5%
Unemployment rate	7.6%	7.4%	7.2%
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	0.6%	0.7%	1.0%
Core CPI inflation	1.0%	1.1%	1.5%

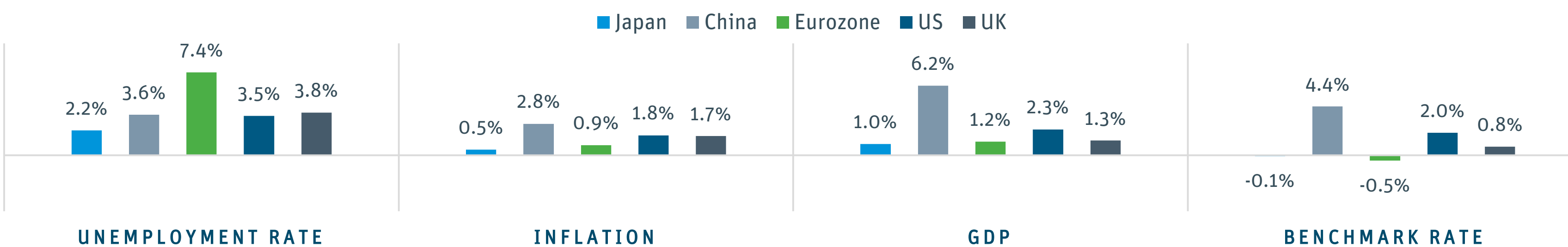
Sources: Federal Reserve, European Central Bank, National People's Congress of China, Bank of Japan and Bank of England. Data as of 1/7/2020. Forecasts are not available for all periods.

Central Banks: The easing to ease

In response to slowing growth, central banks have recently taken preemptive action to prevent a sustained downturn. While monetary policy is open to further easing, policymakers are moving into surveillance mode to monitor the impact of past actions on economic activity.

	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% • Loan prime rate: 4.15% • Reserve requirement ratio (RRR): 12.5%	• Refinancing rate: 0% • Marginal lending facility: 0.25% • Deposit facility: -0.5% • QE restarted: €20 billion/month	• Fed funds target range: 1.50% to 1.75% • Interest on excess reserves: 1.55% • Maintain current balance sheet size	• Bank rate: 0.75% • Maintain balance sheet holdings of £435B gilts £10B corporate bonds
Analysis	BOJ made no changes to its current policy in December, and maintained a 2% inflation target. An October tax hike was met with increased government spending.	PBOC began 2020 with a RRR 50 bps cut, following a prior 50 bps cut in September. It also effectively cut rates by replacing the 1-year lending rate with the loan prime rate at 4.15%.	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.	No change expected to the Fed's benchmark rate, though the Fed will likely take action to address repo and reserve pressures, including adjustments to IOER and providing repo funding.	With the December election reducing political obscurity, the Brexit drag begins to wane. BOE to stay on hold to monitor Brexit negotiations and confirm economic rebound.

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 1/8/2020.

Markets and Performance

Overview

Markets and performance

Trade war risks in Q4 were averted as US and China worked through the details of a Phase One trade deal, which provided some relief to equity and bond markets. Tack on an accommodative Fed and virtually all of the market sectors reported strong returns to close 2019.

Crude oil and US equities were the biggest sector winners, posting 35 percent and 31 percent returns in 2019 respectively. In fixed income, both investment-grade corporates and high-yield bonds delivered double-digit returns in 2019, 14.5 percent and 31.5 percent respectively.

Supply coming to the primary bond market showed no sign of abating as issuers took advantage of low rates. Investors in search of yields, both domestic and overseas, have increased their risk appetite in corporate debt. Higher demand has caused credit spreads to tighten.

With investment-grade corporate bonds offering attractive yields and better credit quality than high-yield bonds, the investment-grade bond market has grown significantly over the past year. While the credit environment remained relatively benign, higher debt load coupled with muted earnings could worsen corporate credit fundamentals in 2020.

Broad Market Performance

Asset class returns

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
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%	Crude Oil 35.28%
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 31.49%
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 31.02%
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%	REIT 24.33%
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 18.87%
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 14.32%
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 8.72%

All returns above are on a total return basis. YTD 2019 returns are on an aggregate basis up to 12/31/2019. 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

Tighter spreads and lower benchmark yields helped propel returns for corporates in the fourth quarter. Investors looked to the US to reach for yield as the rest of the developed economies wrestled with negative rates.

		Current Duration	Current Yield %	Annual Total Return %		Non-annualized Periodic Total Return %				
				2019	2018	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
US Aggregate Index	US Treasuries	6.48	1.80	6.86	0.90	-0.79	2.40	3.01	2.11	2.57
	US Agencies	4.08	1.90	5.89	1.36	-0.09	1.74	2.32	1.81	1.90
	Corporates	7.89	2.86	14.54	-2.51	1.18	3.05	4.48	5.14	-0.18
	US MBS	3.21	2.54	6.35	1.01	0.71	1.37	1.96	2.17	2.08
	US ABS	2.13	2.05	4.53	1.77	0.39	0.92	1.67	1.48	1.25
	US CMBS	5.31	2.48	8.29	0.80	-0.33	1.89	3.28	3.24	1.72
US Short Duration	1-3 Year US Treasuries	1.91	1.60	3.59	1.55	0.51	0.58	1.47	0.99	1.31
	1-3 Year US Agencies	1.58	1.69	3.58	1.77	0.55	0.66	1.32	1.01	1.25
	1-3 Year Corporates	1.82	2.08	5.30	1.57	0.86	0.96	1.55	1.83	0.78
	<1 Year Corporates	0.52	2.05	3.09	2.27	0.58	0.68	0.85	0.94	0.60
	AAA Credit Card ABS	2.42	1.98	4.63	1.67	0.27	1.02	1.78	1.49	1.34
	AAA Auto ABS	1.83	2.03	4.21	1.76	0.48	0.77	1.50	1.39	1.05

Sources: Bloomberg Barclays indices. Data as of 12/31/2019. Heatmap colors based on periodic return percentage for time period shown. Past performance is not a guarantee of future results.

Corporates: Rising debt volume...

The pace of corporate debt issuance continued at a steady speed thanks to low rates and investor demand, both domestic and overseas. In 2019, US dollar–denominated corporate bond issuance rose by 3.3 percent for investment-grade to $1.317 trillion, while high-yield supply grew by 55 percent to $430 billion (for high-yield it was partly due to the low base of 2018).

Driven by increased risk appetite and high issuance volume, the spread between the US corporate BBB bonds and the 10-year Treasury has narrowed.

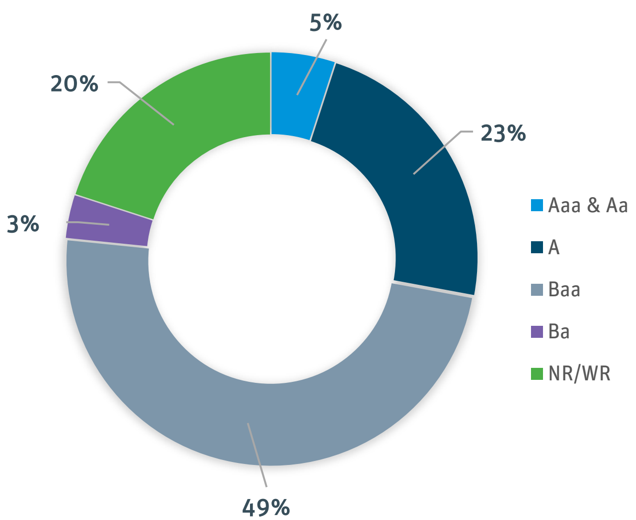
Spread Between Corporate BBB Bonds and 10-Year Treasury

Source: Bloomberg. Data as of 1/9/2020.

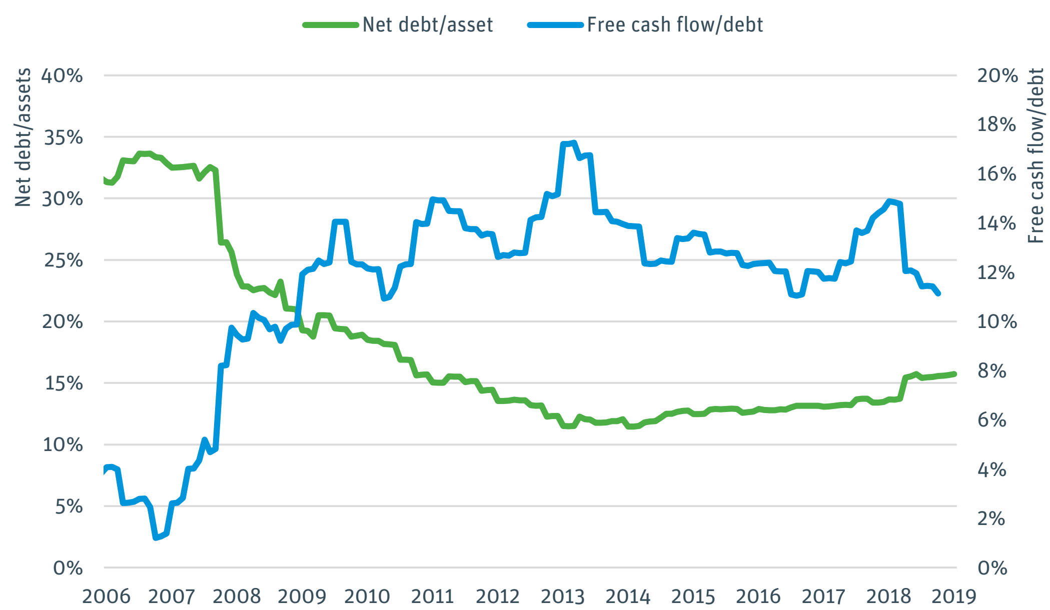
Corporates: ...means rising risk in the investment-grade space

Estimates indicate that nearly 50 percent of the investment-grade corporate bond outstanding is now in the BBB tier, which offers higher returns and investment-grade status, albeit with lower credit quality. Meanwhile, the gap between corporate debt and profit has continued to widen. Muted expectations for 2020 corporate earnings suggest that companies may struggle to deleverage.

US Investment-Grade Bond Rating Split



S&P 500 Leverage Coverage and Debt Load

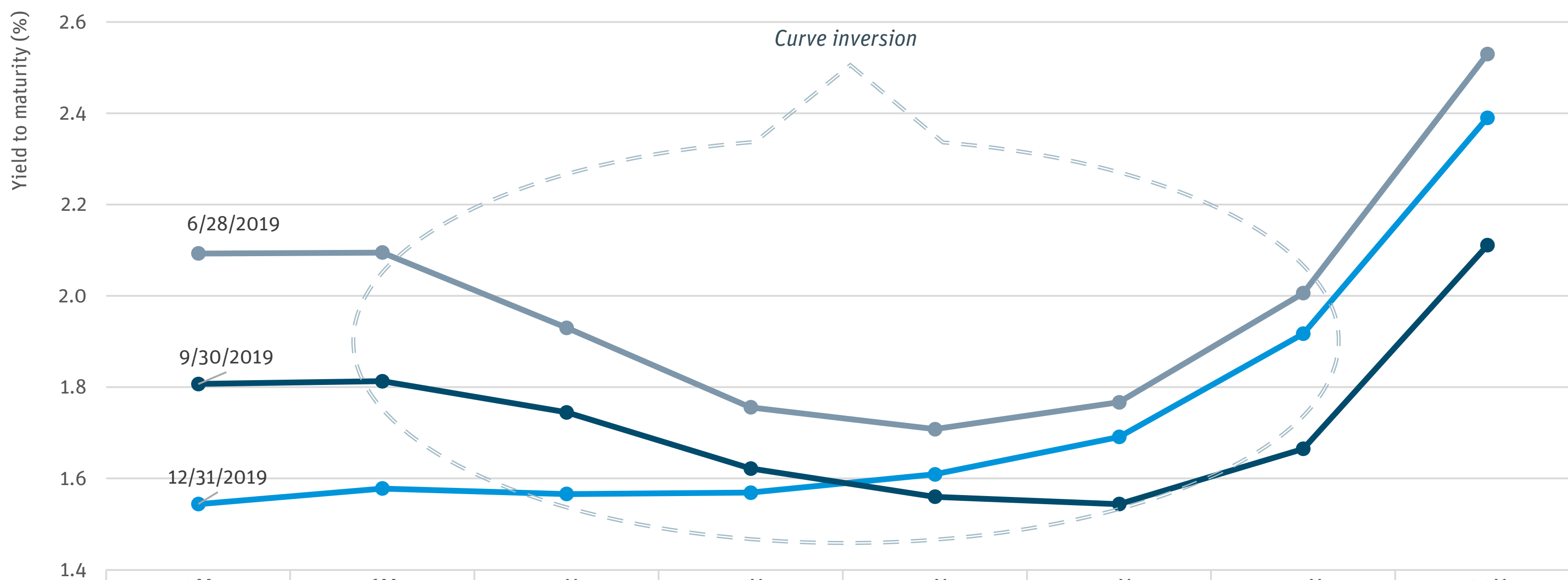


Source: Bloomberg. Data as of 1/9/2020.
Credit rating based on Bloomberg Barclays U.S. Corporate Bond Index (LUACTRUU).

2019 Yield Curve: Front-end inversion

In 2019, the yield curve was inverted from approximately May to October (3-month vs. 10-year spread). This was primarily due to a less aggressive Fed relative to what was being priced by the market. A couple of factors led to the reversing of the inversion. One of the first factors occurred in October, with the Fed announcing that it would begin buying $60 billion of Treasury bills each month to help maintain order in the short-term funding markets. The next event occurred at the October FOMC meeting where the Fed cut rates by 25 basis points but hinted at a pause. This hint was confirmed at the December FOMC meeting with its updated fed funds projections showing no cuts in 2020. This ultimately led to the market repricing and a Fed that is on hold in 2020.

US Treasury Yields: On-the-run issues



	3M	6M	1Y	2Y	3Y	5Y	10Y	30Y
12/31/2019	1.544	1.578	1.566	1.569	1.609	1.691	1.917	2.39
9/30/2019	1.807	1.813	1.745	1.622	1.56	1.544	1.665	2.111
6/28/2019	2.093	2.095	1.93	1.756	1.708	1.767	2.006	2.53

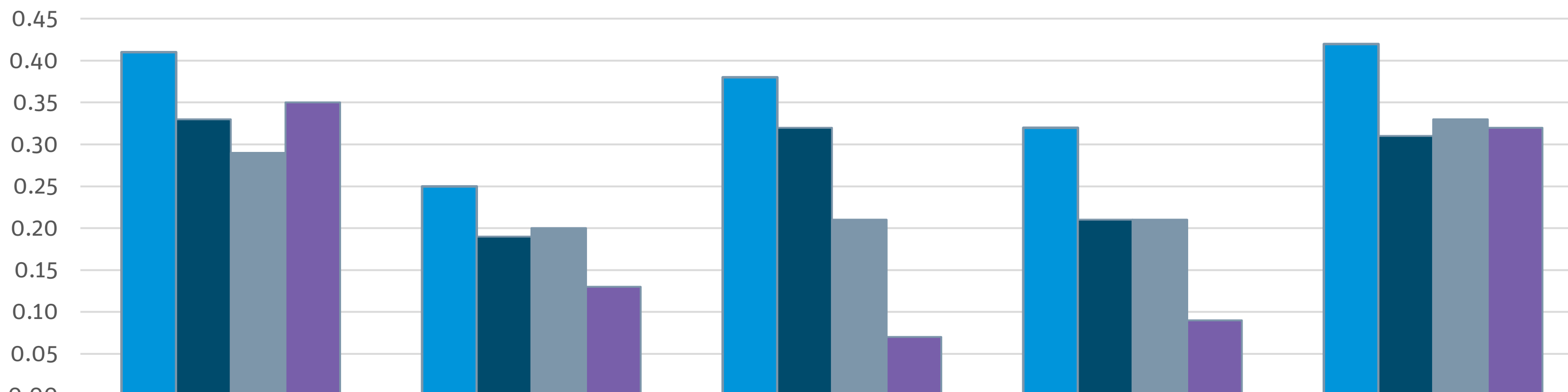
Sources: SVB Asset Management and Bloomberg. Data as of 12/31/2019. Past performance is not a guarantee of future results. The above is not to be construed as a recommendation for your particular portfolio.

Relative Value: Attractive spread product yields

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

At the end of 2019, front-end (1-month to 3-year) yield pickup for spread products closed at the widest level of the year. This was not a result of spread widening because overall spreads tightened for most of 2019. This was primarily due to front-end Treasury yields repricing lower as a result of the Fed stepping in and purchasing T-bills, along with the three 25 basis points (bps) rate cuts by the Fed. The largest move was seen in commercial paper, whose maturities are typically nine months and shorter. Commercial paper went from a yield pickup of under 10 bps in Q2 2019 to 35 bps at the end of Q4 2019. With a Fed that is likely on hold in 2020, we expect the current attractive yield pickup over Treasuries to remain range-bound.

1-month to 3-years Spread Product Yield Pickup vs. Similar Maturity Treasuries



	Q4 - 2019	Q3 - 2019	Q2 - 2019	Q1 - 2019	Q4 - 2018
Fin Corp	0.41	0.25	0.38	0.32	0.42
Ind Corp	0.33	0.19	0.32	0.21	0.31
ABS	0.29	0.20	0.21	0.21	0.33
CP	0.35	0.13	0.07	0.09	0.32

Sources: SVB Asset Management and Bloomberg. Data as of 12/31/2019.
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