svb Asset Management

Quarterly Economic Report

Q2 2021 | Inside views on economic and market factors affecting global markets and business health

Quarterly Economic Report

Published in Q2 2021 | Data for Q1 2021

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OVERVIEW

Key takeaways

- Growth and inflation expectations are increasing as economies continue to recover.
- The Federal Reserve has taken an outcome driven approach and will wait for data to indicate the recovery is solid before raising the federal funds target range.
- There has been a yield divergence as front-end yields are anchored low while the belly of the curve and beyond has steepened significantly.

Economic data supports signs of recovery
Unprecedented fiscal stimulus and ongoing vaccine distribution will continue to boost growth this year.

Accommodative monetary policy
The Fed revises inflation and growth forecasts higher for 2021 but plans no change to rates through 2023.

Central banks
Globally, central banks continue to maintain low rates and add fuel to quantitative easing to support the economic recovery.

COVID-19 unwind favors weaker USD
USD bull run ends while purchasing power parity exchange rate valuation suggests that the USD is still broadly overvalued.

Markets and performance
Improvements in the economic outlook are driving a sector rotation back into sectors hardest hit by the effects of the pandemic.

Front-end rates remain low and in tight trading range
Our strategy remains to optimize yield for client portfolios while staying invested in high-quality securities and monitoring duration positioning.

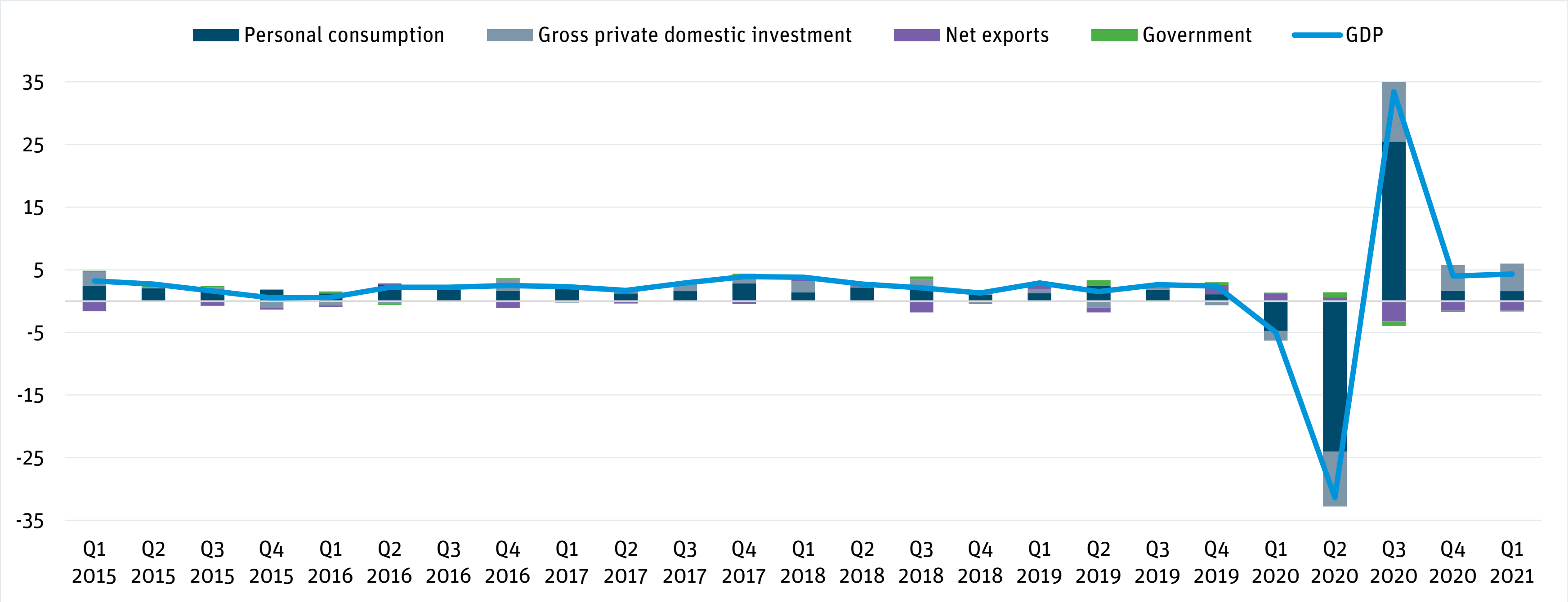
Domestic Economy

GDP: Rebound continues

The economic recovery continues, with GDP in Q4 2020 increasing 4.3%, up from a prior estimate of 4.1%. The updated revision was due to private inventories being better than initially estimated; however, the increase was partially offset by a downgrade to nonresidential fixed investment. Q4 2020 GDP was characterized by increases in all categories except for state and local government spending.

Unprecedented fiscal stimulus and the ongoing vaccine distribution will continue to boost growth in 2021. Recent improvements in economic data are driving Q1 2021 GDP estimates higher, with the April 2021 GDPNow model upgrading Q1 GDP to 6% from 4.7%.

GDP and Components

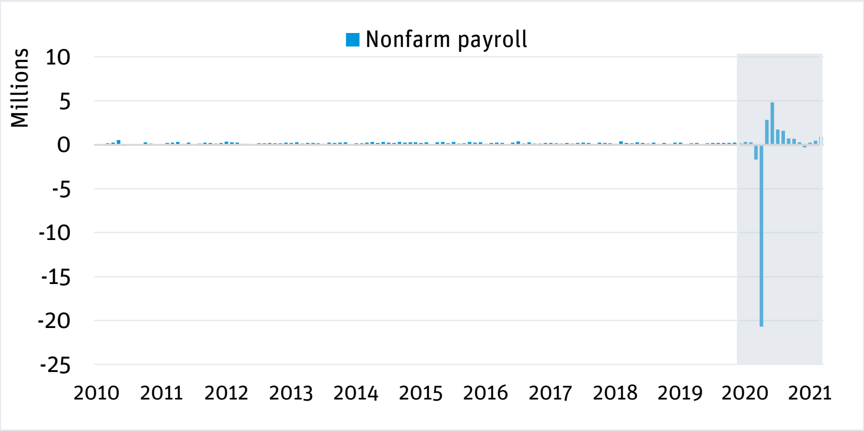


Sources: Bureau of Economic Analysis, Congressional Budget Office and SVB Asset Management. Data as of 4/1/2021. 2020 and 2021 data points are estimates. GDP values shown are percent change vs. prior quarter on an annualized basis.

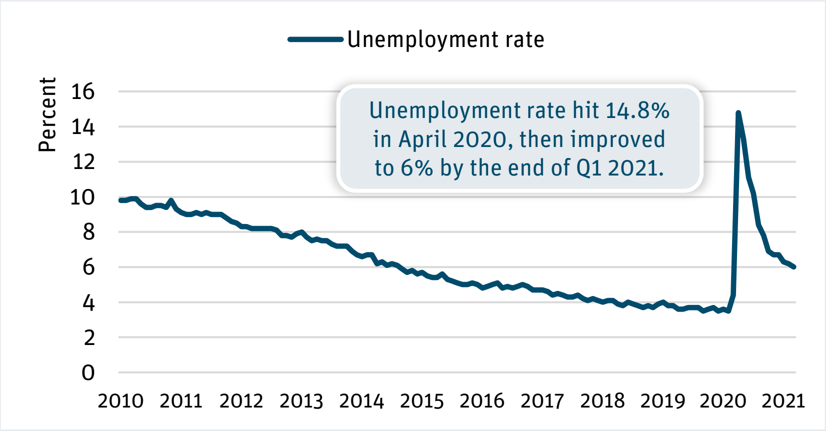
Employment: Jobs bounce back

In the first quarter of the year, the labor market steadily improved as lockdowns eased, weather conditions got better and the vaccine rollout continued. In the first three months of the year, the US economy added more than 1.6 million jobs, recovering about 60% of the jobs lost last year. That said, there are still about 8 million jobs left to regain. While the unemployment rate looks relatively healthy at 6%, estimates show that the unemployment rate is more like 9% when considering a contraction in the labor force participation rate.

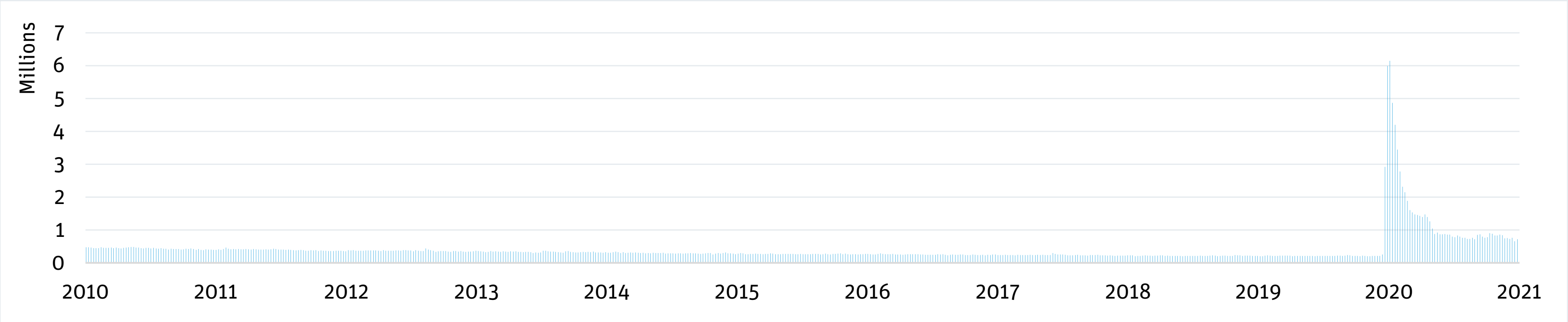
Nonfarm Payrolls



Unemployment Rate



Initial Jobless Claims

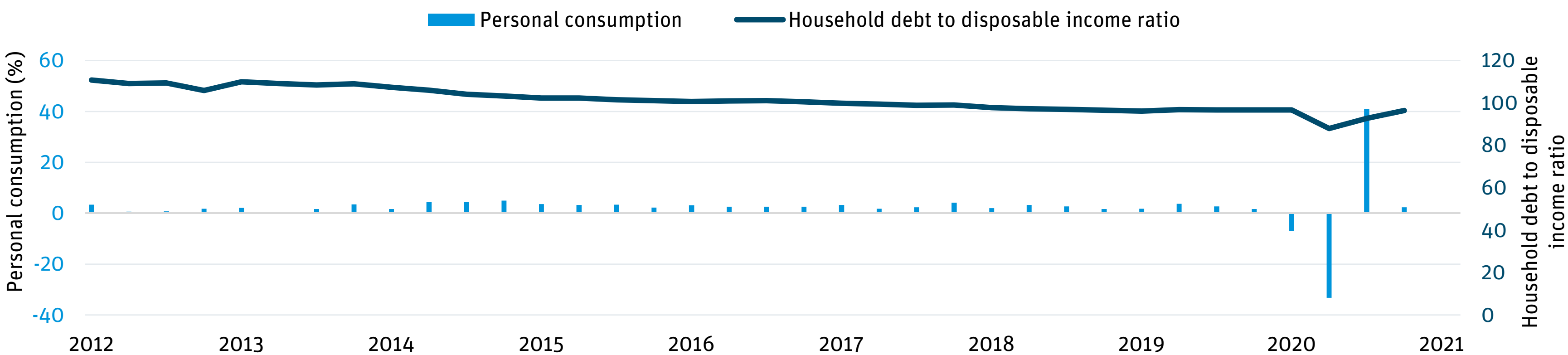


Sources: US Bureau of Labor Statistics, Bloomberg and SVB Asset Management.
Data as of 4/1/2021.

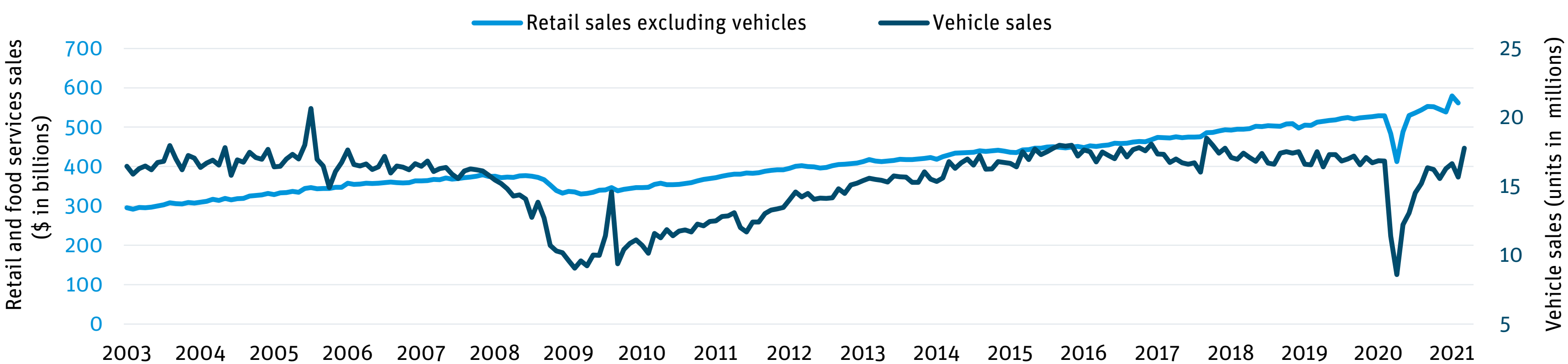
Consumption: Expect improvements

Consumption in Q4 2020 moderated to 2.3% after a sharp increase in Q3, and disposable income increased thanks in part to the fiscal stimulus. The strong dose of fiscal stimulus and ongoing vaccine rollout should bode well for consumption going forward as the economic recovery gains footing and life in the US returns to a new normal. Retail sales have slowed recently, but they should be able to maintain steady momentum going forward.

Consumption Overview



Retail Sales

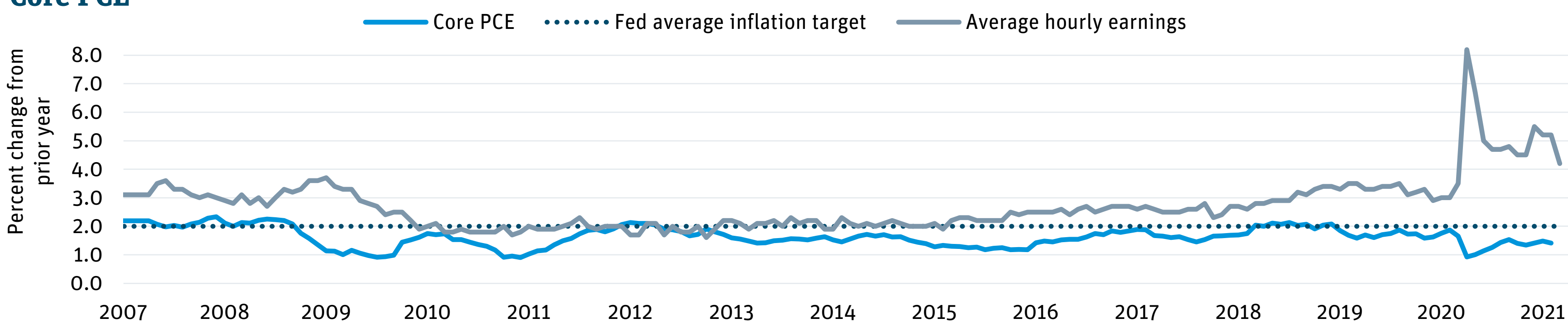


Sources: Bloomberg and SVB Asset Management. Data as of 4/1/2021.

Inflation: Low, but for how long?

Accommodative monetary policy, unprecedented fiscal stimulus and an expected unleashing of pent-up demand are expected to drive inflation higher in the coming months. However, recent data show that inflation is still tame and well below the Fed's 2% target. As the US economic recovery gains traction, some of the hardest-hit sectors are expected to rebound. Recently, wages have been trending lower as more lower-wage jobs are added back to the economy.

Core PCE



CPI Breakdown

	All items	Food	Food at home	Food away from home	Energy	Gasoline (all types)	Electricity	Natural gas (piped)	All items less food and energy	Commodities less food and energy commodities	Apparel	New vehicles	Medical care commodities	Services less energy services	Shelter	Medical care services	Education and communication
Jan-20	2.50%	1.80%	0.70%	3.10%	6.20%	12.80%	0.50%	-3.20%	2.30%	-0.30%	-1.30%	0.10%	1.70%	3.10%	3.30%	5.10%	1.50%
Feb-20	2.30%	1.80%	0.80%	3.00%	2.80%	5.60%	0.60%	-2.00%	2.40%	0.00%	-0.90%	0.40%	1.80%	3.10%	3.30%	5.30%	1.50%
Mar-20	1.50%	1.90%	1.10%	3.00%	-5.70%	-10.20%	0.20%	-2.90%	2.10%	-0.20%	-1.60%	-0.40%	1.30%	2.80%	3.00%	5.50%	1.50%
Apr-20	0.30%	3.50%	4.10%	2.80%	-17.70%	-32.00%	0.20%	-1.90%	1.40%	-0.90%	-5.70%	-0.60%	0.70%	2.20%	2.60%	5.80%	1.60%
May-20	0.10%	4.00%	4.80%	2.90%	-18.90%	-33.80%	-0.20%	-0.30%	1.20%	-1.00%	-7.90%	-0.30%	0.80%	2.00%	2.50%	5.90%	1.60%
Jun-20	0.60%	4.50%	5.60%	3.10%	-12.60%	-23.40%	0.10%	-0.20%	1.20%	-1.10%	-7.30%	-0.20%	1.30%	1.90%	2.40%	6.00%	1.40%
Jul-20	1.00%	4.10%	4.60%	3.40%	-11.20%	-20.30%	-0.10%	-0.30%	1.60%	-0.50%	-6.50%	0.50%	1.10%	2.30%	2.30%	5.90%	2.30%
Aug-20	1.30%	4.10%	4.60%	3.50%	-9.00%	-16.80%	-0.10%	-0.50%	1.70%	0.40%	-5.90%	0.70%	0.80%	2.20%	2.30%	5.30%	2.30%
Sep-20	1.40%	3.90%	4.10%	3.80%	-7.70%	-15.40%	0.70%	3.80%	1.70%	1.00%	-6.00%	1.00%	0.90%	1.90%	2.00%	4.90%	2.10%
Oct-20	1.20%	3.90%	4.00%	3.90%	-9.20%	-18.00%	1.30%	1.80%	1.60%	1.20%	-5.50%	1.50%	-0.80%	1.70%	2.00%	3.70%	2.10%
Nov-20	1.20%	3.70%	3.60%	3.80%	-9.40%	-19.30%	1.60%	4.40%	1.60%	1.40%	-5.20%	1.60%	-1.10%	1.70%	1.90%	3.20%	1.90%
Dec-20	1.40%	3.90%	3.90%	3.90%	-7.00%	-15.20%	2.20%	4.10%	1.60%	1.70%	-3.90%	2.00%	-2.50%	1.60%	1.80%	2.80%	2.00%
Jan-21	1.40%	3.80%	3.70%	3.90%	-3.60%	-8.60%	1.50%	4.30%	1.40%	1.70%	-2.50%	1.40%	-2.30%	1.30%	1.60%	2.90%	1.70%
Feb-21	1.70%	3.60%	3.50%	3.70%	2.40%	1.50%	2.30%	6.70%	1.30%	1.30%	-3.60%	1.20%	-2.50%	1.30%	1.50%	3.00%	1.70%
Mar-21	2.60%	3.50%	3.30%	3.70%	13.20%	22.50%	2.50%	9.80%	1.60%	1.70%	-2.50%	1.50%	-2.40%	1.60%	1.70%	2.70%	1.50%

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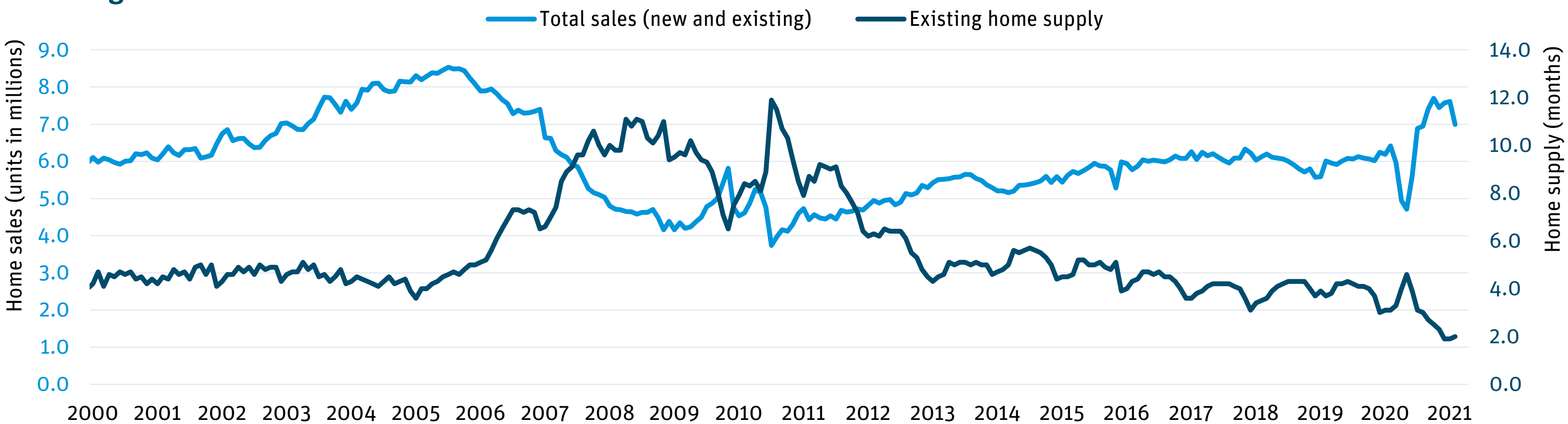
Sources: Bloomberg, Bureau of Labor and Statistics and SVB Asset Management. Data as of 4/1/2021. The Consumer Price Index (CPI) measures the weighted average price change in the prices paid by consumers for household goods and services.

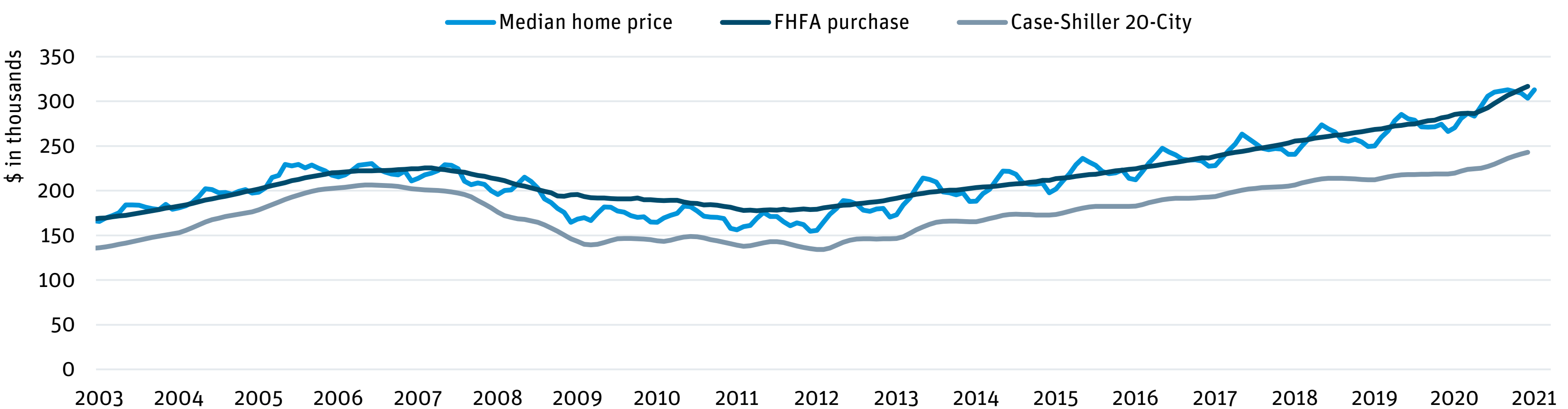
Housing: Cools after sharp increase

Home sales continued to cool after a sharp increase last year as higher borrowing rates and low inventories stalled purchases.

Housing Market



Home Prices

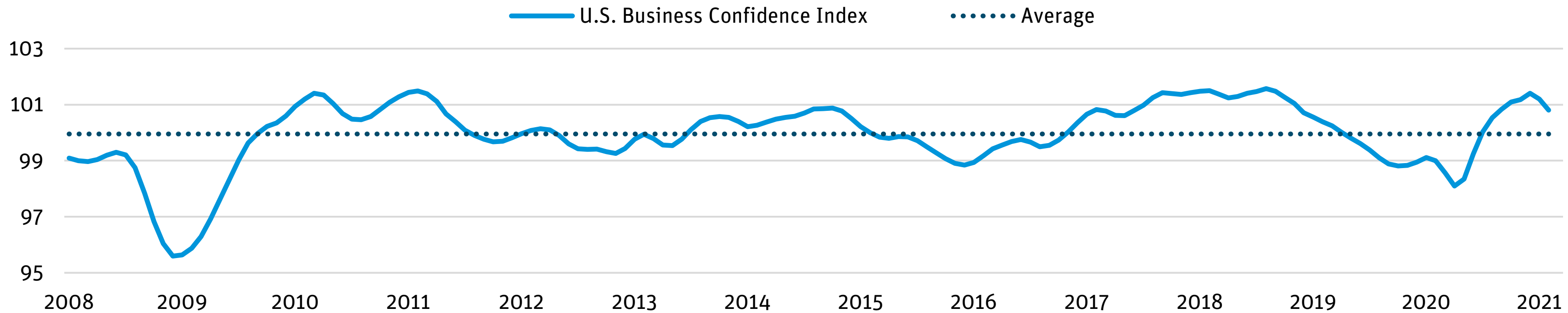


Sources: Bloomberg and SVB Asset Management. Data as of 4/1/2021.

Business Outlook: Turning the corner

Business sentiment simmered down in the first part of the year; however, as the economic recovery gains momentum, there is likely to be a rebound. In addition, over the last couple of months, business sentiment across Fed districts has improved. Finally, the latest non-manufacturing read reached an all-time high of 63.7, indicating a strong rebound in the service sector.

Business Confidence Index



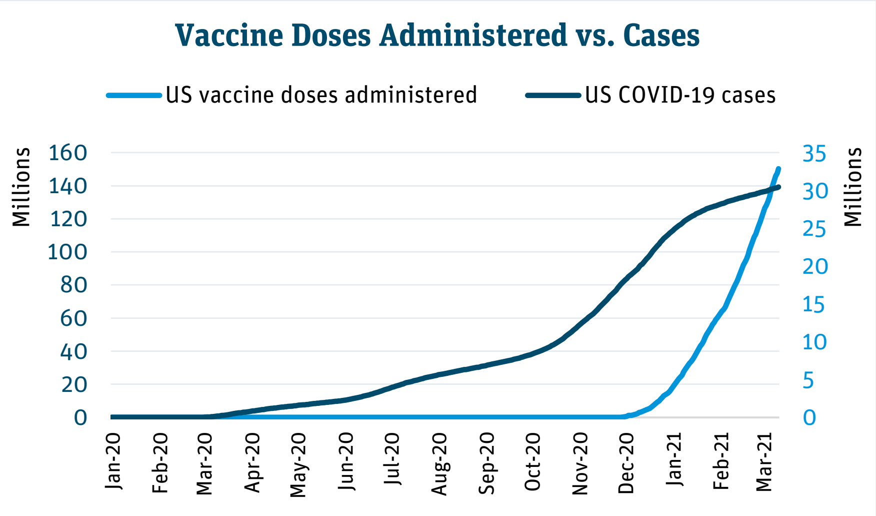
Business Sentiment

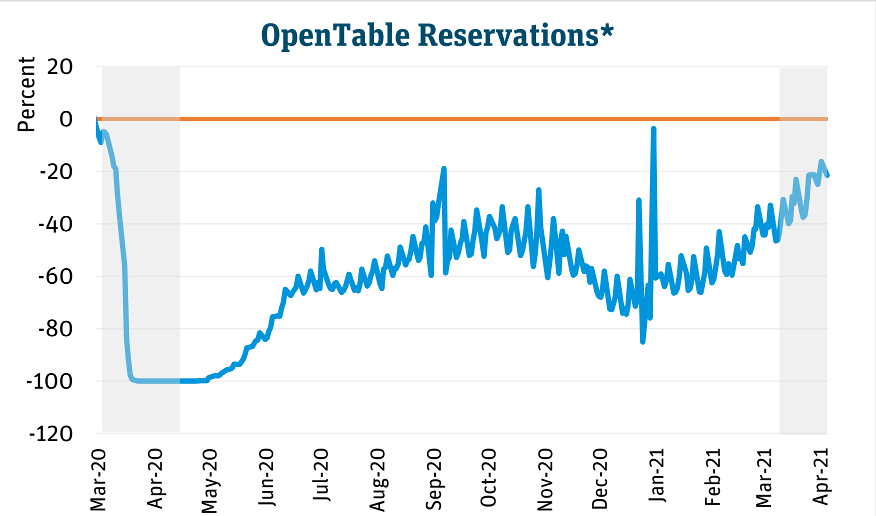
	Dallas Fed Manufacturing Survey	Philly Fed Manufacturing Survey	New York Fed's Empire Manufacturing Survey	Kansas City Fed Manufacturing Survey	Richmond Fed Manufacturing Survey	ISM Manufacturing PMI SA	ISM Non-Manufacturing
January-20	-0.2	17.0	4.8	-1.0	20.0	50.9	55.5
February-20	1.2	36.7	12.9	5.0	-2.0	50.1	57.3
March-20	-70.0	-12.7	-21.5	-17.0	2.0	49.1	52.5
April-20	-72.2	-46.8	-78.2	-30.0	-54.0	41.7	41.6
May-20	-47.6	-32.9	-48.5	-19.0	-28.0	43.1	45.4
June-20	-5.4	24.7	-0.2	1.0	0.0	52.2	56.5
July-20	-1.9	20.8	17.2	3.0	10.0	53.7	56.6
August-20	9.0	20.2	3.7	14.0	18.0	55.6	57.2
September-20	14.6	13.6	17.0	11.0	21.0	55.7	57.2
October-20	21.2	24.6	10.5	13.0	29.0	58.8	56.2
November-20	12.9	20.7	6.3	11.0	15.0	57.7	56.8
December-20	10.5	9.1	4.9	14.0	19.0	60.5	57.7
January-21	7.0	26.5	3.5	17.0	14.0	58.7	58.7
February-21	17.2	23.1	12.1	24.0	14.0	60.8	55.3
March-21	28.9	51.8	17.4	26.0	17.0	64.7	63.7

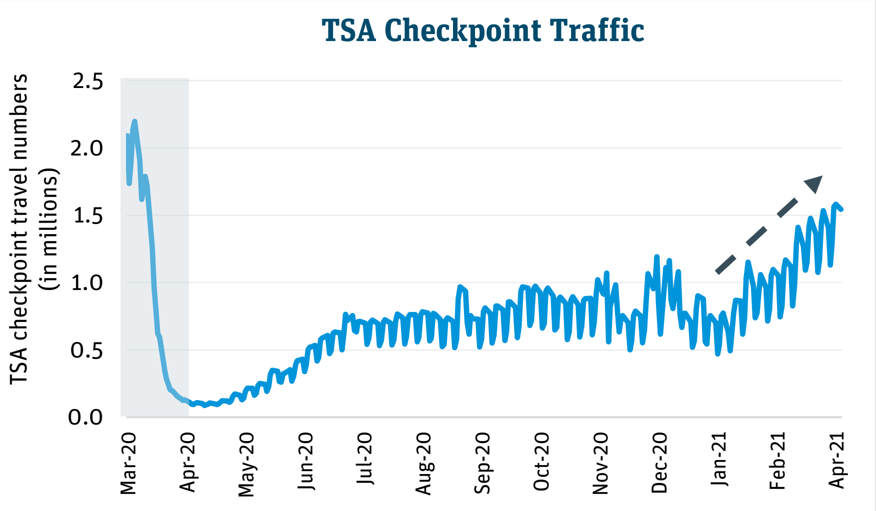
Sources: Bloomberg, OECD (2021), Business confidence index (BCI) (indicator). doi: 10.1787/3092dc4f-en (Accessed on 12 April 2021). Heatmap colors based on the indices and time periods shown. Data as of 4/1/2021.

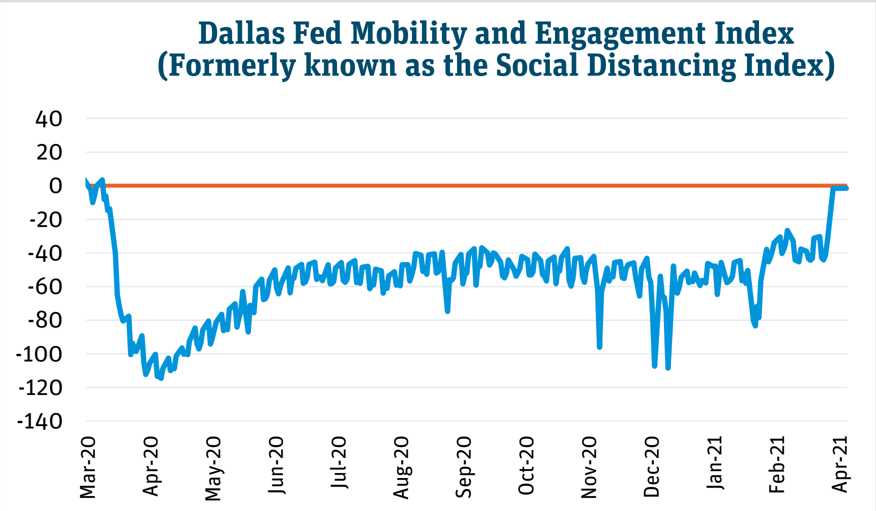
Strides in Vaccine Rollout

The vaccine rollout continues, outpacing the number of cases. Sectors hardest hit by the virus are recovering. OpenTable reservations, TSA checkpoint traffic and mobility continue to increase steadily.









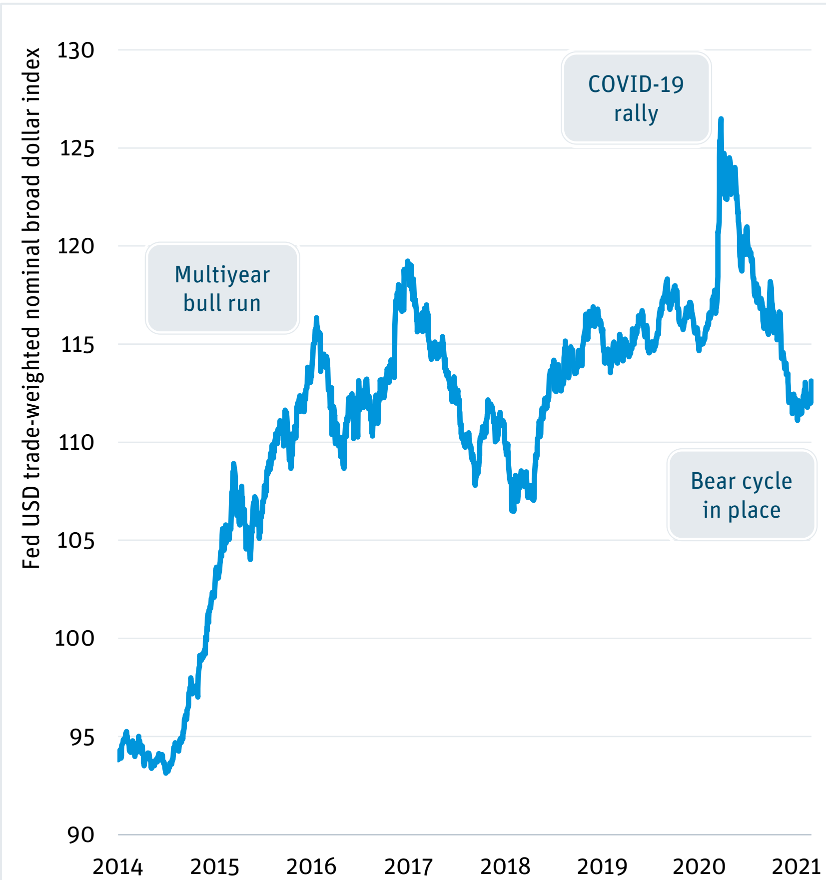
Sources: Bloomberg and SVB Asset Management. Data as of 4/5/2021.
*OpenTable Reservations index shows seated diners from reservations based on how many people dined at restaurants in 2021 and 2020 compared to 2019. https://www.opentable.com/state-of-industry.

Foreign Exchange

US Dollar Outlook

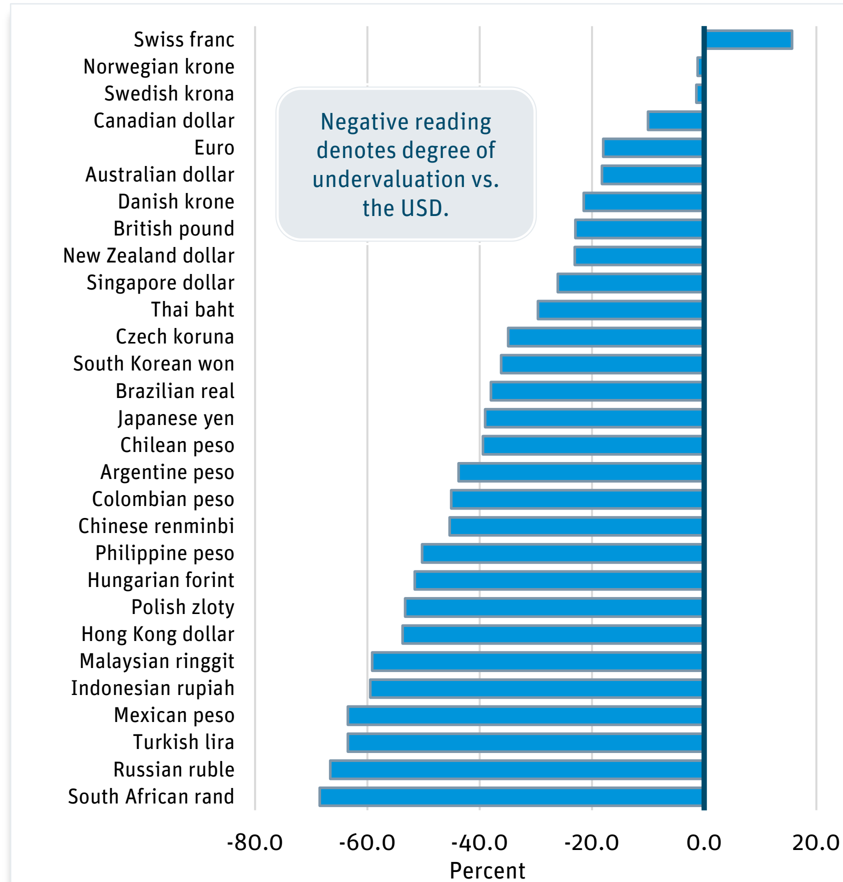
The COVID-19 unwind favors a weaker US dollar (USD). However, there may be a long way to go.

USD bull run ends in dramatic fashion with fear-based COVID-19 rally.



Index represents a weighted average of the foreign exchange value of the US dollar against the currencies of a broad group of major US trading partners.

Purchasing power parity exchange rate valuation suggests the USD is still broadly overvalued.

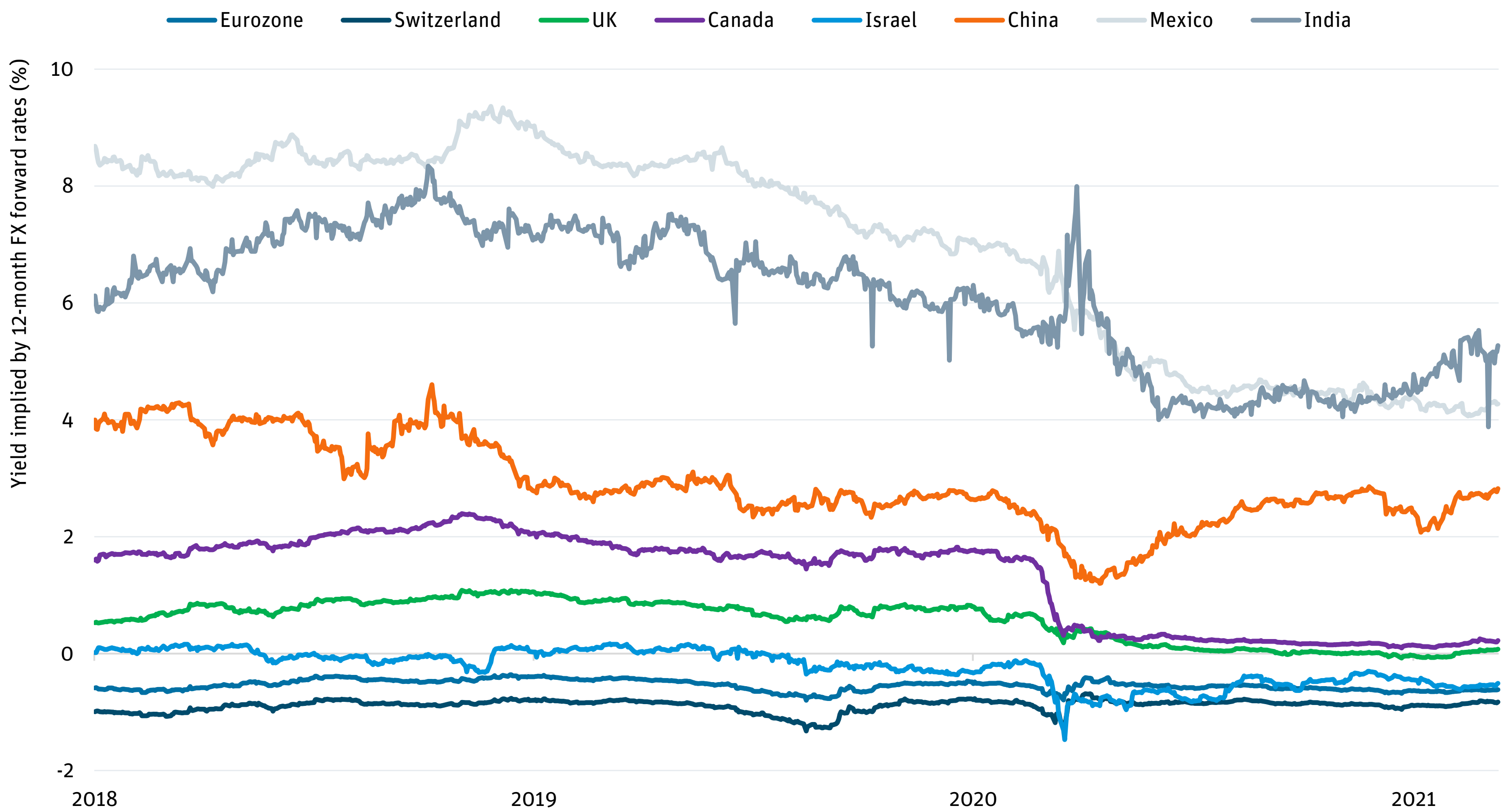


The Big Mac Index is based on the premise that long run exchange rates should move toward the rate that would equalize the prices of the same basket of goods and services in any two countries.

Sources: Federal Reserve and The Economist. Data as of 3/12/2021.

Global Interest Rate Compression

Global interest rate compression presents a new foreign exchange (FX) hedging landscape. For sellers of USD,[1] narrowing of FX forward curves implies lower hedging costs in G10[2] currencies and less carry pickup in emerging markets.



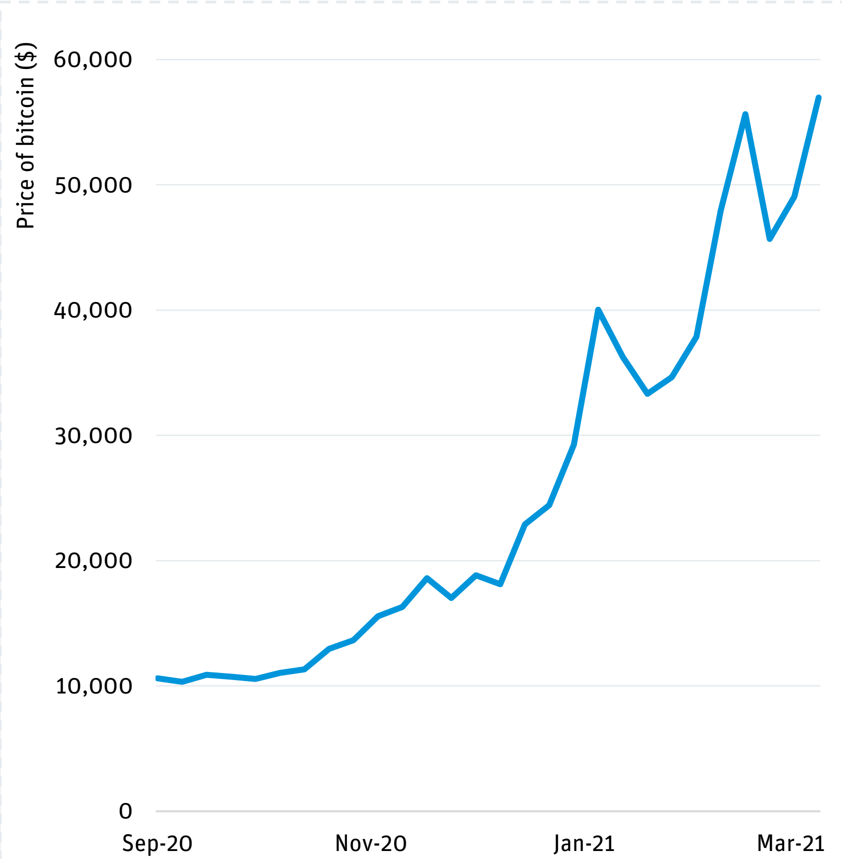
[1]SVB clients are net sellers of USD by a margin of 3-to-1 vs. USD buyers.
[2]G10 currencies are Australian dollar, Canadian dollar, Euro, Japanese yen, New Zealand dollar, Norwegian krone, Point sterling, Swedish krona, Swiss franc and US dollar.

Source: Bloomberg. Data as of 3/12/2021.

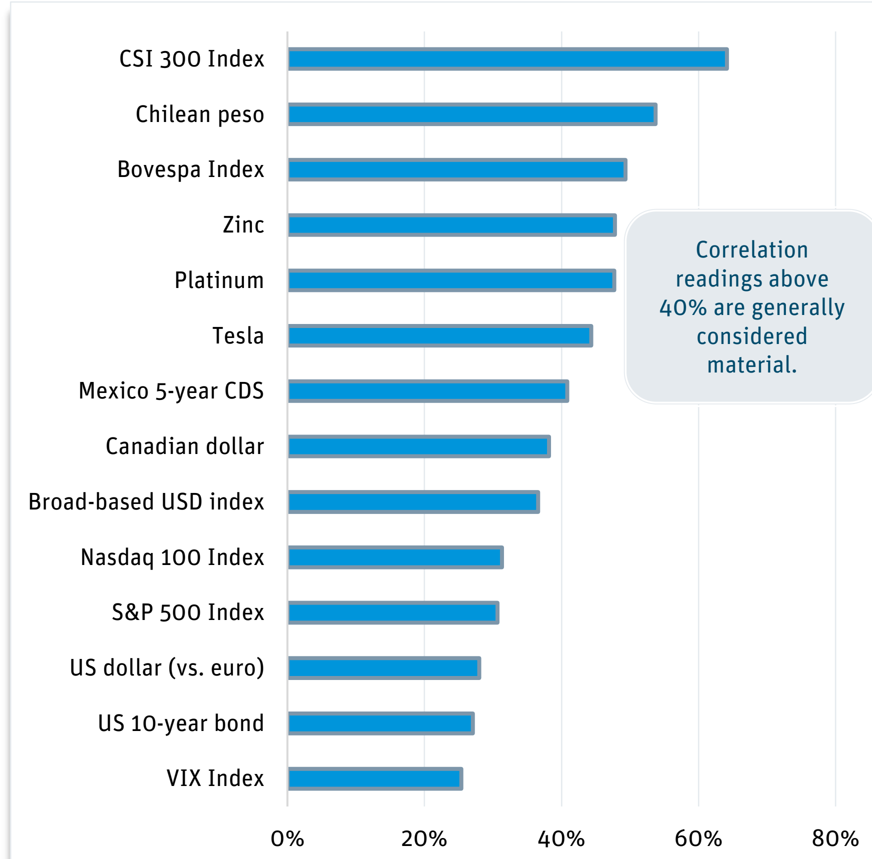
Virtual Currencies: Bitcoin

The spike in virtual currencies has more to do with the reflation trade than with the demise of the USD and the fiat currency system.

The price of bitcoin has risen five-fold over the last six months.



Bitcoin prices are tightly correlated with high beta assets (emerging markets, metals, commodity currencies).



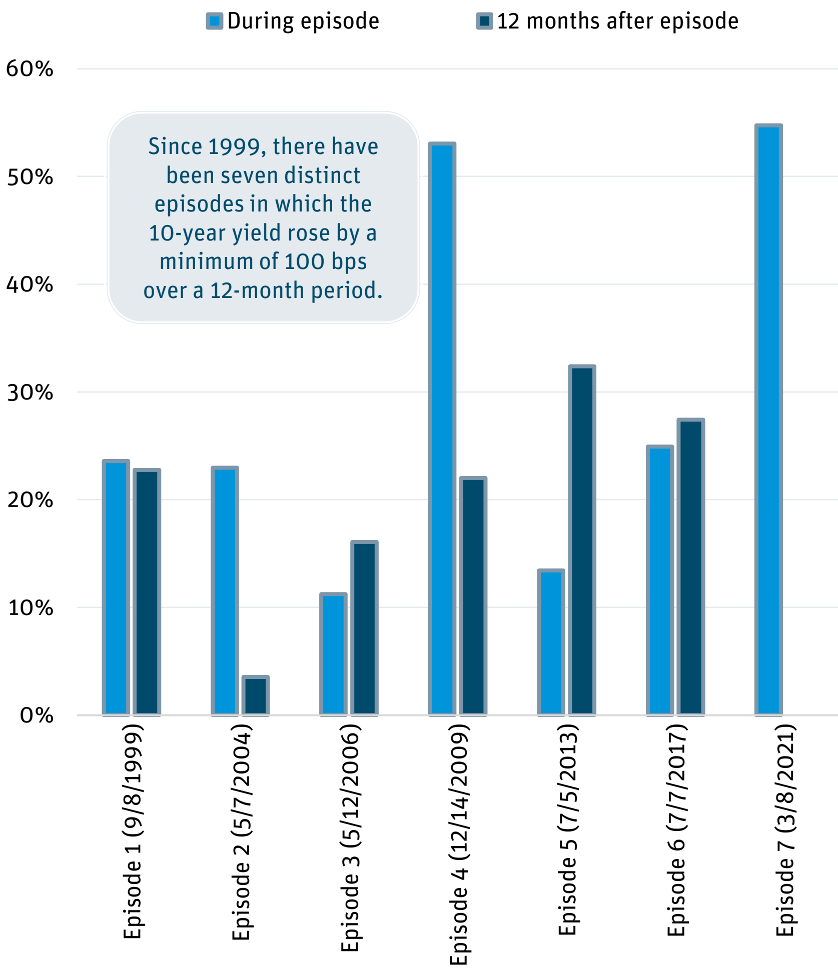
Correlation of weekly spot price changes from August 2020 to March 2021. In all cases, spot prices are used in the calculation except for the US 10-year bond reading, which reflects weekly changes in the ICE Total Return Index for US bonds in the 7- to 10-year sector.

Sources: Bloomberg and SVB FX Risk Advisory. Data as of 3/12/2021.

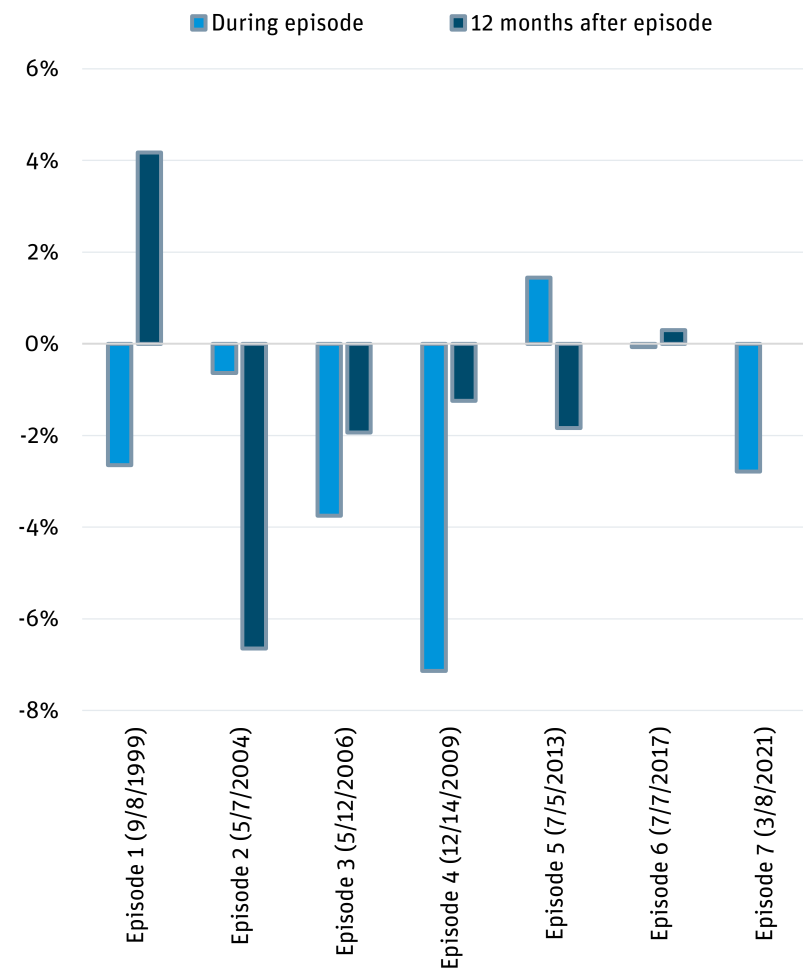
Yield Retracement Episodes

When 10-year yields have backed up by 100 basis points (bps), as they did recently, these episodes have generally been good for tech stocks and bad for the USD (aka Risk-On).

Performance of Nasdaq 100 during and after episodes



Performance of the USD during and after episodes

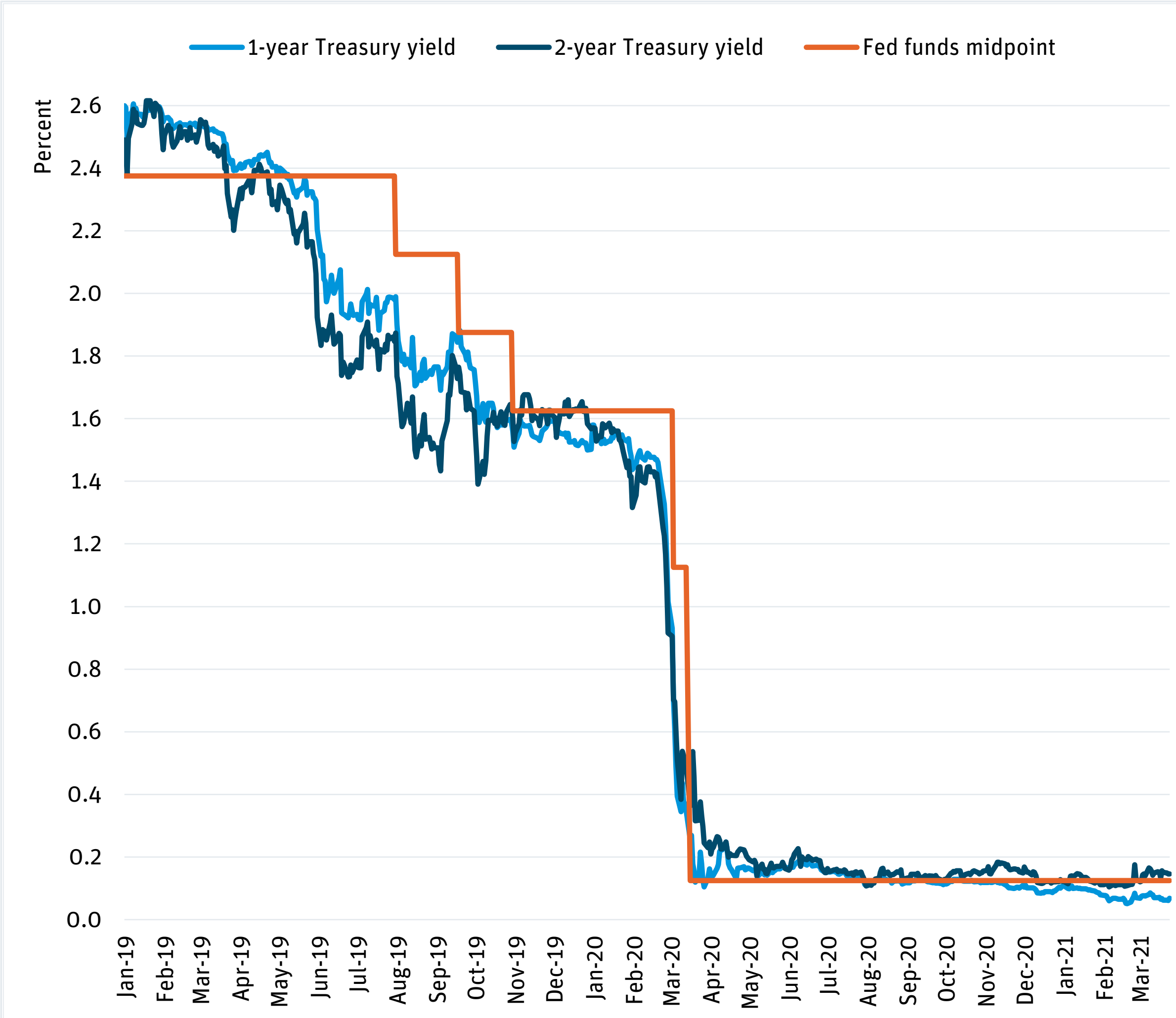


Dates for each episode correspond to when the initial 100 basis point threshold is breached.
The performance of the USD measured using the Fed's trade-weighted broad nominal index.
Sources: Bloomberg and FX Risk Advisory. Data as of 3/12/2021.

Central Banks

Historical Interest Rates

Fiscal spending helped the Fed revise its inflation and growth forecasts higher for 2021, but no change to the policy rate is expected until the end of 2023.



Q3 2019: The Fed cut rates consecutively at the July and September FOMC meetings by 25 bps per meeting. The cuts were categorized as insurance cuts against downside risks to the economic outlook.

Q4 2019: After three consecutive cuts totaling 75 bps, the Fed kept rates unchanged at the December FOMC meeting, in the target range of 1.50% to 1.75%. The Fed left the economic outlook unchanged from October and revised the dot plot to show a median committee projection of no rate changes in 2020.

Q1 2020: The Fed cut rates by 150 bps in two surprise meetings driven by the outbreak of COVID-19 in the US.

Q3 2020: The Fed announced it will aim to achieve inflation moderately above 2% "for some time." Fed projections show rates remaining near zero through 2023.

Q1 2021: The Fed maintains its accommodative stance as it revises GDP growth and inflation forecasts higher. New lows are seen in 1-year Treasury yields.

Sources: Bloomberg and SVB Asset Management. Data as of 3/23/2021.

Federal Reserve Board Emergency Facilities

Facility	Summary	Size	Usage since March 15, 2020	End date
Treasury and MBS Asset Purchases	Purchases Treasuries, agency MBS and agency CMBS	Unlimited	$4.1 trillion	N/A
Commercial Paper Funding Facility (CPFF)	Purchases commercial paper directly from issuers	$10 billion Treasury protection	$4 billion	3/31/2021
Primary Dealer Credit Facility (PDCF)	Allows dealers to borrow cash by pledging collateral	TBD	$4 billion	3/31/2021
Money Market Mutual Fund Liquidity Facility (MMLF)	Provides loans to dealers for purchasing securities from prime funds	TBD	$53 billion	3/31/2021
Secondary Market Corporate Credit Facility (SMCCF)	Purchases corporate bonds and ETFs	$750 billion (combined total with PMCCF)	$14.3 billion	12/31/2020
Primary Market Corporate Credit Facility (PMCCF)	Purchases corporate bonds and loans from eligible issuers	$750 billion (combined total with SMCCF)	None	12/31/2020
Term Asset-Backed Securities Loan Facility (TALF)	Provides loans to companies collateralized with new-issue ABS, SBA loans, leveraged loans and CMBS	$100 billion	$3.7 billion	12/31/2020
Foreign and International Monetary Authorities (FIMA) Repo Facility	Accepts Treasuries from eligible authorities	TBD	$1 billion	N/A
Small Business Administration's Paycheck Protection Program (PPP)	Provides loans collateralized by PPP loans by the SBA	$350 billion	$71 billion	3/31/2021
Municipal Liquidity Facility (MLF)	Purchases munis from eligible states, counties and cities	$500 billion	$6.3 billion	12/31/2020
Main Street Lending Programs: 1. Main Street New Loan Facility (MSNLF) 2. Main Street Expanded Loan Facility (MSELF) 3. Main Street Priority Loan Facility (MSPLF) 4. Nonprofit Organization New Loan Facility (NONLF) 5. Nonprofit Organization Expanded Loan Facility (NOELF)	Provide funding to banks in order to make loans to small and medium-sized businesses and nonprofit organizations	$600 billion (combined facilities)	$16.5 billion	12/31/2020

Sources: Federal Reserve and SVB Asset Management as of 3/23/2021.
Views expressed are as of the date of this content only and subject to change.

Central Bank Economic Projections

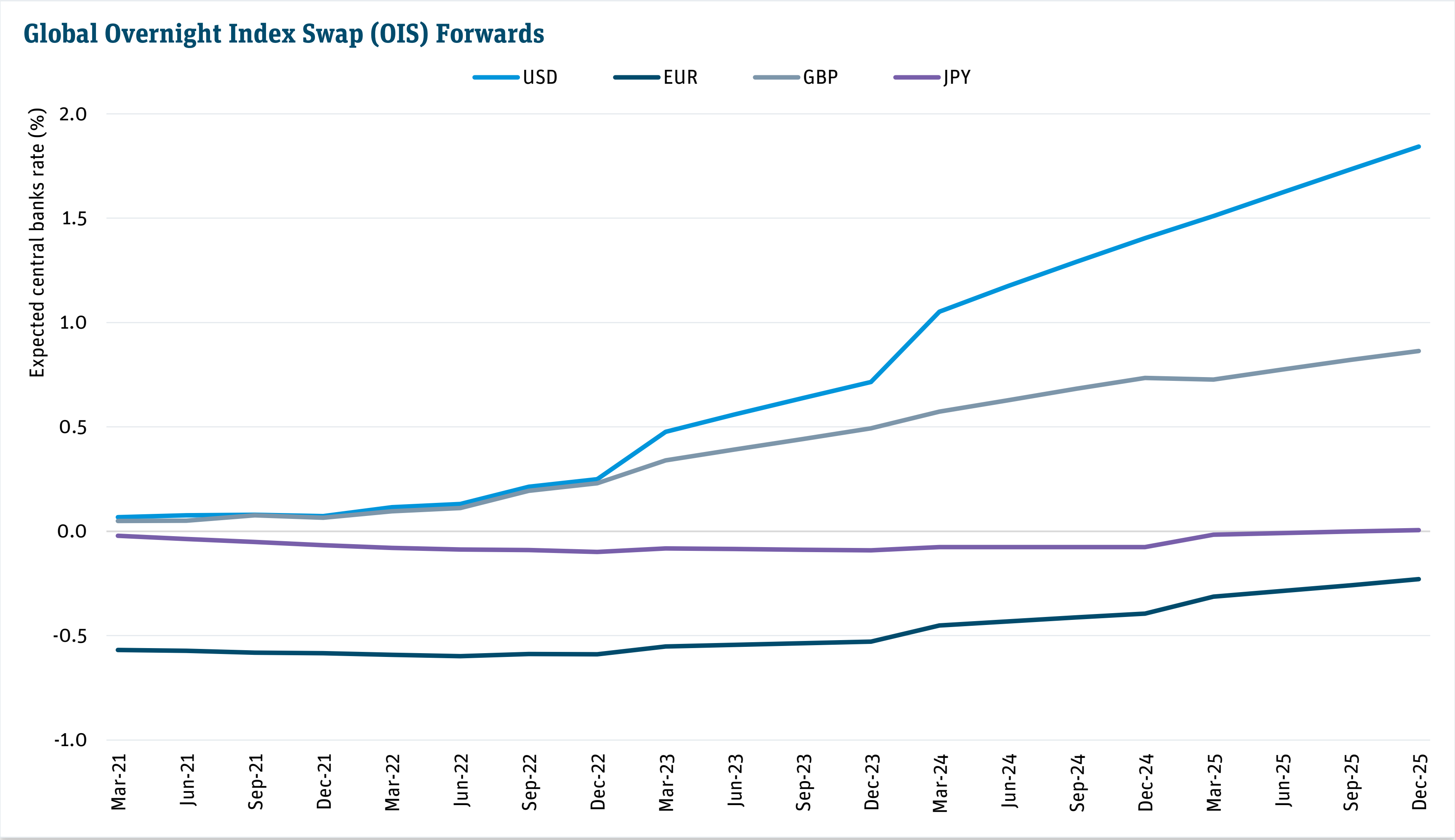
The significant downturn seen in 2020 is expected to recover globally in 2021.

Economic Projections	2021	2022	2023
United States			
Change in real GDP	6.5%	3.3%	2.2%
Core PCE inflation	2.2%	2.0%	2.1%
Unemployment rate	4.5%	3.9%	3.5%
United Kingdom			
Change in real GDP	-9.2%	14.2%	1.3%
CPI inflation	0.8%	2.1%	2.1%
Unemployment rate	5.5%	5.7%	5.0%
Eurozone			
Change in real GDP	4.0%	4.1%	2.1%
CPI inflation	1.5%	1.2%	1.4%
Unemployment rate	8.6%	8.1%	7.6%
Japan			
Change in real GDP	3.7%	1.8%	NA
Core CPI inflation	0.4%	0.8%	NA

Sources: Federal Reserve, European Central Bank, Bank of Japan and Bank of England.
Data as of 3/23/2021.

Global Central Bank Expectations

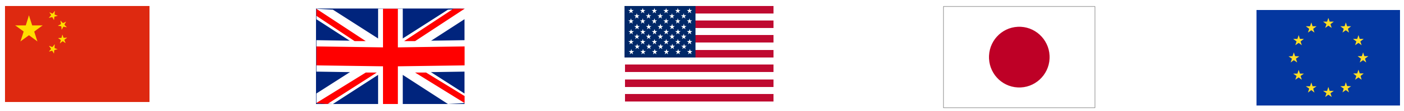
The market expects liftoff for the fed funds rate in the US to be early 2023, while other central banks will likely remain more accommodative through 2025.



Sources: Federal Reserve, European Central Bank, Bank of Japan and Bank of England.
Data as of 3/23/2021.

Central Banks: Steady hands guide

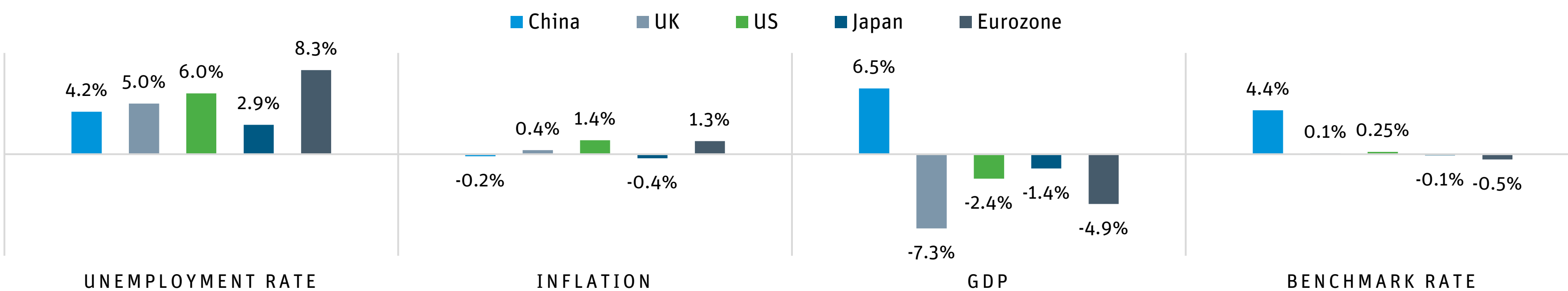
Major central banks continue to hold policy rates low, coupled with sweeping quantitative easing (QE) measures. We look for these banks to make minor policy adjustments and add fuel to QE as needed during the course of economic recovery.



Easing

Current Monetary Policy	• Deposit rate: 1.5% • Lending rate: 4.35% • Loan prime rate: 3.85% • 1-year medium-term lending rate: 2.95% • Reserve requirement ratio (RRR): 12.5%	• Bank rate: 0.10% • QE: Buying £895 billion in gilts and corporate debt	• Fed funds target range: 0% to 0.25% • Interest on excess reserves: 0.10% • QE: No limit	• Policy rate: -0.1% • 10-year JGB target rate: 0% • QE annual purchases: ¥80 trillion JGB ¥12 trillion ETF ¥180 trillion J-REIT	• Refinancing rate: 0% • Marginal lending facility: 0.25% • Deposit facility: -0.5% • QE: €1,850 billion program total through March 2022
Analysis	PBOC has not made any major rate changes since cutting some rates 20 bps in April and cutting RRRs 50 to 100 bps for certain banks at the beginning of 2020. Employment and industrial output are recovering.	The BOE took no action in its March meeting. The BOE does not intend to tighten monetary policy until clear evidence of eliminating spare capacity and achieving a 2% inflation target sustainably.	No action was taken at the March meeting. Fed Chairman Powell reiterated that future hikes will be data-driven, rather than calendar-driven.	The BOJ announced a review of its policy tools as it remains far from its 2% inflation goal despite years of trying. Japan's economy is expected to bounce back modestly in 2021.	No action taken by ECB in its March meeting. The Governing Council does expect QE purchases to be conducted at a higher pace during the first half of 2021.

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 4/6/2021.

Markets and Performance

Market Sector Performance

Oil outperformed relative to other sectors as gains were attributed to improving oil demand due to progress in COVID-19 vaccinations and recovering economic activity. Meanwhile, the fixed income sectors underperformed due to rising yields. The tech and biotech sectors saw a slow start after a strong finish in 2020.

Asset class returns

2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021 YTD
Gold 10.23%	Biotech 32.84%	Biotech 48.14%	Biotech 43.20%	Biotech 13.04%	Crude Oil 44.80%	Biotech 43.57%	US Treasuries 0.86%	Tech 45.97%	Biotech 47.85%	Crude Oil 22.54%
US Treasuries 9.81%	S&P 500 16.00%	S&P 500 32.39%	Tech 14.23%	Tech 3.23%	Tech 12.27%	Tech 39.65%	US Aggregate 0.01%	Crude Oil 35.28%	Tech 42.64%	S&P 500 6.17%
US IG Corp 8.15%	Tech 14.52%	Tech 23.66%	S&P 500 13.69%	S&P 500 1.40%	S&P 500 12.00%	S&P 500 21.80%	Gold -2.10%	BIOTECH 32.10%	Gold 24.42%	Tech 1.95%
Crude Oil 8.15%	US IG Corp 9.82%	Crude Oil 7.32%	US IG Corp 7.46%	US Treasuries 0.84%	Gold 8.60%	Gold 13.70%	US IG Corp -2.51%	S&P 500 31.49%	S&P 500 18.40%	US Aggregate -3.37%
US Aggregate 7.84%	Gold 6.96%	US IG Corp -1.53%	US Aggregate 5.97%	US Aggregate 0.55%	US IG Corp 6.11%	Crude Oil 12.50%	S&P 500 -4.40%	Gold 18.87%	US IG Corp 9.89%	Biotech -3.63%
Biotech 5.50%	US Aggregate 4.21%	US Aggregate -2.02%	US Treasuries 5.05%	US IG Corp -0.68%	US Aggregate 2.65%	US IG Corp 6.42%	Tech -6.02%	US IG Corp 14.54%	US Treasuries 8.00%	US Treasuries -4.25%
S&P 500 2.11%	US Treasuries 1.99%	US Treasuries -2.75%	Gold -1.51%	Gold -10.50%	US Treasuries 1.04%	US Aggregate 3.54%	Biotech -15.11%	US Aggregate 8.72%	US Aggregate 7.51%	US IG Corp -4.65%
Tech -3.86%	Crude Oil -7.08%	Gold -28.26%	Crude Oil -45.76%	Crude Oil -30.50%	Biotech -15.76%	US Treasuries 2.31%	Crude Oil -25.30%	US Treasuries 6.86%	Crude Oil -20.96%	Gold -9.47%

All returns above are on a total return basis. YTD 2021 returns are on an aggregate basis up to 3/31/2021. US Aggregate refers to Bloomberg Barclays Aggregate Bond Index; US Treasuries refers to the US Treasury allocation of the Bloomberg Barclays Aggregate Bond Index; US IG Corps refers to the Investment Grade Corporate allocation of the Bloomberg Barclays Aggregate Bond Index; Gold refers to the S&P GSCI Gold Spot; Crude Oil refers to the Spot West Texas Intermediate Crude Oil; S&P 500 refers to the S&P 500 Index; Tech refers to the S&P Global 1200 Information Technology Index; Biotech refers to the S&P Biotechnology Select Industry Index.

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

Fixed Income Returns: Curve divergence

The first quarter of 2021 was led by rising bond yields due to increasing global growth and inflation expectations. Both credit and government curves steepen past three years, as the market is pricing in potentially higher rates in the future. This was the primary contributor to negative returns in the US Aggregate Index. Meanwhile, short-duration fixed income, which continues to be anchored by the Fed, had a relatively quiet quarter compared to the US Aggregate.

		Current Duration	Current Yield %	YTD Total Return %		Non-annualized Periodic Total Return %								
				2021*	2020	Q1 21	Q4 20	Q3 20	Q2 20	Q1 20	Q4 19	Q3 19	Q2 19	Q1 19
US Aggregate Index	US Treasuries	6.79	1.00	-4.25	8.00	-4.25	-0.83	0.17	0.48	8.20	-0.79	2.40	3.01	2.11
	US Agencies	3.91	0.81	-1.59	5.48	-1.59	0.04	0.36	0.88	4.14	-0.09	1.74	2.32	1.81
	Corporates	8.48	2.32	-4.65	9.89	-4.65	3.05	1.54	8.98	-3.63	1.18	3.05	4.48	5.14
	US MBS	4.09	1.82	-1.10	3.87	-1.10	0.24	0.11	0.67	2.82	0.71	1.37	1.96	2.17
	US ABS	2.08	0.56	0.16	4.52	-0.16	0.36	0.79	3.54	-0.21	0.39	0.92	1.67	1.48
	US CMBS	5.22	1.71	-2.32	8.11	-2.32	1.05	1.71	3.95	1.19	-0.33	1.89	3.28	3.24
Maturity	1-3 YR	1.94	0.35	-0.07	3.08	-0.07	0.22	0.16	0.88	1.79	0.57	0.71	1.49	1.22
	3-5 YR	3.48	1.29	-0.95	5.40	-0.95	0.36	0.36	1.78	2.82	0.53	1.27	2.25	2.14
	5-7 YR	5.02	1.73	-2.93	7.92	-2.93	0.57	0.78	3.68	2.69	0.50	1.47	2.57	2.59
	7-10 YR	7.43	2.08	-4.84	10.30	-4.84	0.86	1.30	5.70	2.13	-0.03	2.77	3.64	3.08
	10+ YR	16.31	3.02	-10.40	16.11	-10.40	1.68	1.21	6.23	6.21	-1.12	6.58	6.59	6.45
Rating	AAA	5.59	1.33	-2.88	6.43	-2.88	-0.31	0.20	0.71	5.81	-0.18	1.97	2.59	2.15
	AA	8.02	1.78	-4.27	8.48	-4.27	1.39	0.91	4.48	1.48	-0.04	2.62	3.27	3.37
	A	8.20	2.06	-4.87	9.95	-4.87	2.14	1.18	6.98	-0.56	0.72	2.92	4.16	4.64
	BBB	8.52	2.61	-4.31	9.42	-4.31	4.03	2.11	11.23	-7.39	1.69	3.26	4.80	5.82
US Short Duration	1-3 Year US Treasuries	1.97	0.19	-0.05	3.16	-0.05	0.05	0.10	0.25	2.76	0.51	0.58	1.47	0.99
	1-3 Year US Agencies	1.87	0.31	-0.03	2.97	-0.03	0.16	0.16	0.46	1.95	0.55	0.66	1.32	1.01
	1-3 Year Corporates	1.84	0.73	-0.02	3.79	-0.02	0.68	0.60	4.07	-1.53	0.86	0.96	1.55	1.83
	<1 Year Corporates	0.53	0.73	0.10	1.62	0.10	0.12	0.22	1.39	-0.11	0.58	0.68	0.85	0.94
	AAA Credit Card ABS	2.54	0.61	-0.54	4.70	-0.54	0.27	0.50	3.46	0.43	0.27	1.02	1.78	1.49
	AAA Auto ABS	1.80	0.44	-0.06	3.97	-0.06	0.25	0.65	3.18	-0.17	0.48	0.77	1.50	1.39
	Gov't MM Fund	0.11	0.03	-	-	-	-	-	-	-	-	-	-	-

*Year-to-date periodic return data

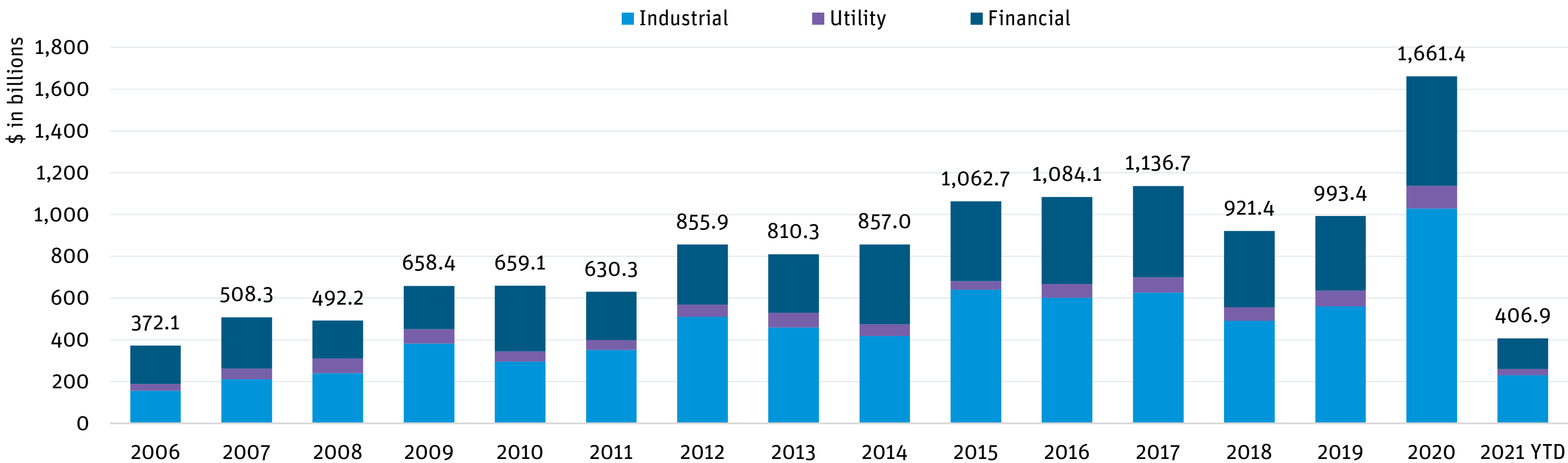
Sources: Bloomberg and Bloomberg Barclays indices. Data as of 3/31/2021.
Heatmap colors based on periodic return percentage for time period shown.
Past performance is not a guarantee of future results.

0421-0095MS-033122

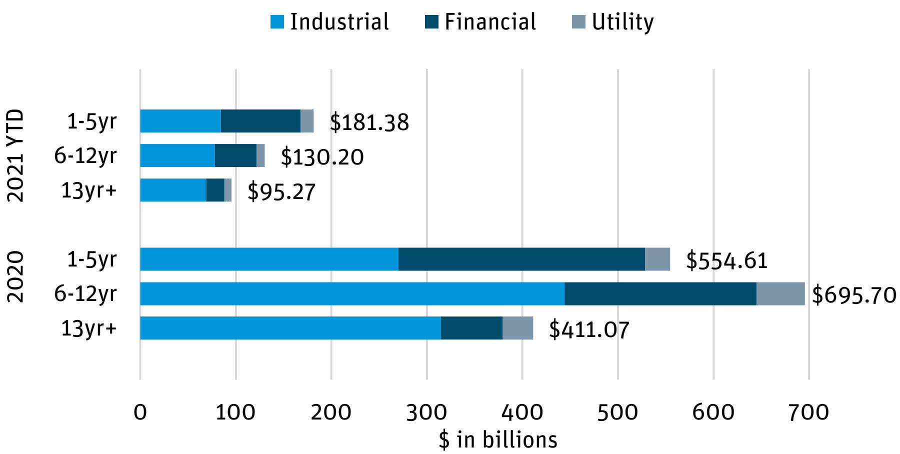
2021 Corporate New-Issue Update

The 2021 corporate new-issue market is poised for another record year as US companies take advantage of the low borrowing costs to shore up balance sheets and liquidity.

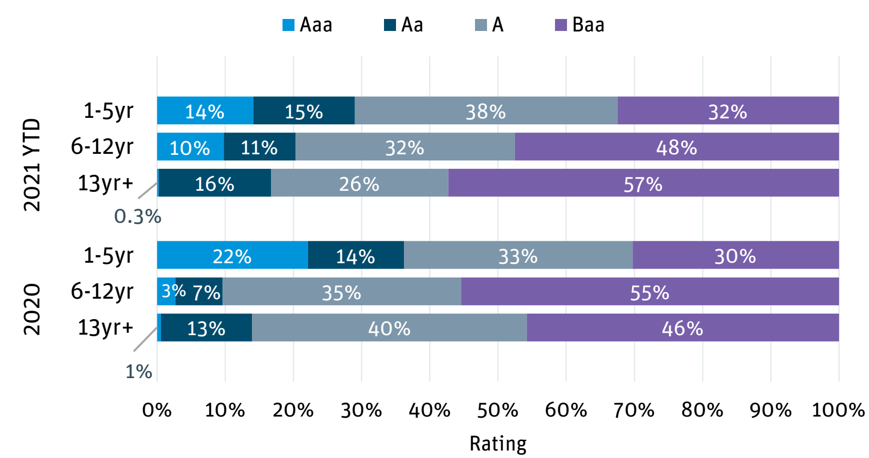
US Investment Grade Corporate New-Issue Volume



IG Corporate New-Issue Supply (Sector/Maturity)



IG Corporate New-Issue Supply (Rating/Maturity)



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Sources: Bloomberg Barclays indices. Data as of 3/31/2021.
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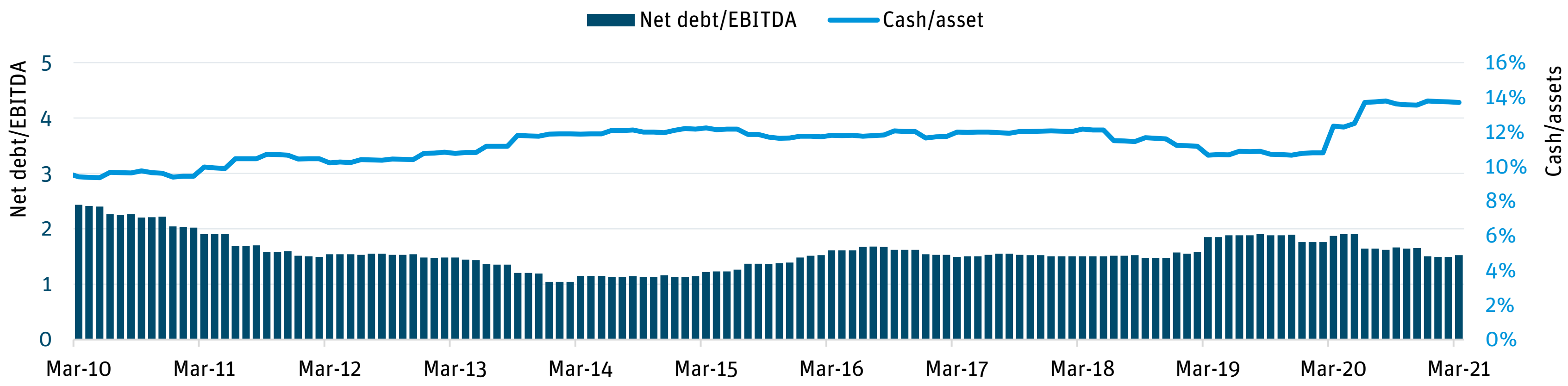
0421-0095MS-033122

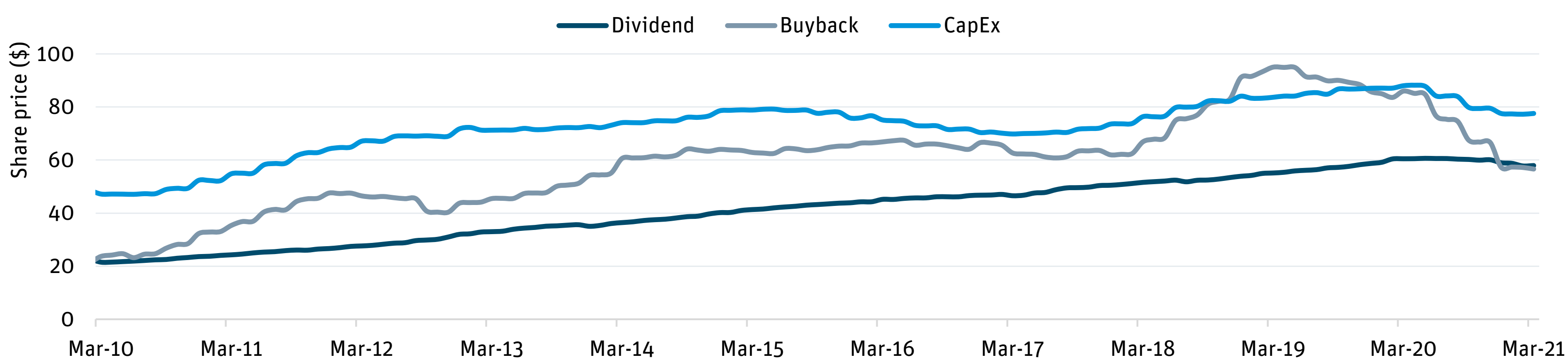
Corporates: Record cash balance keeps leverage in check

Compared to the same period last year, S&P 500 companies continued to maintain record-high cash piles due to stagnant capital spending, as well as curtailed share buybacks and dividends. However, chart patterns suggested that the buyback freeze has bottomed out, and cash deployment is likely to pick up given the economic recovery.

S&P 500 Leverage and Cash Liquidity



S&P Capital Spending and Distribution

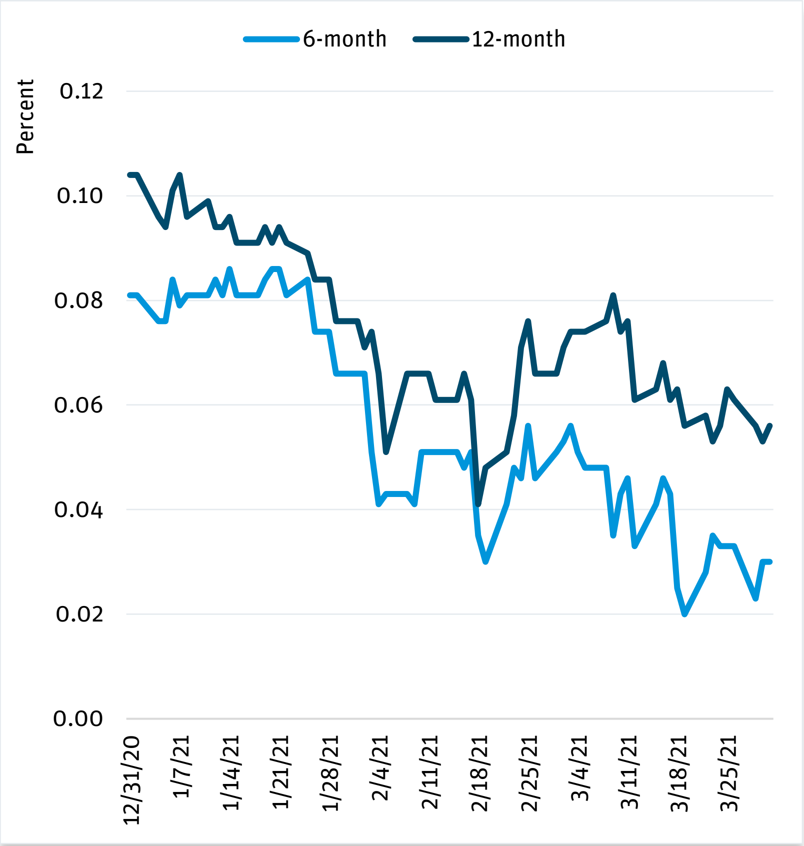


Source: Bloomberg. Data as of 3/31/2021.

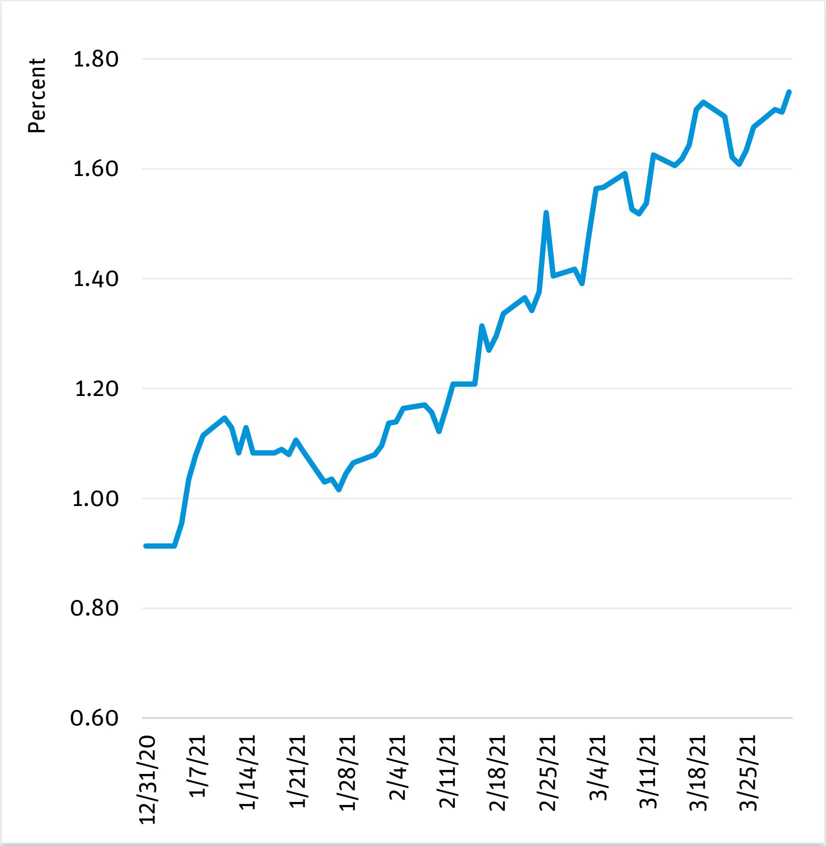
Yield Curve Divergence

Long-end yields have risen in 2021 on higher growth and inflation expectations, primarily from fiscal stimulus and COVID-19 vaccine distributions. Front-end yields have declined due to supply-and-demand imbalances from increasing reserve balances along with decreasing T-bill issuance.

6-Month and 12-Month T-Bill Yields



10-Year Treasury Yields



Sources: SVB Asset Management and Bloomberg. Data as of 3/31/2021.
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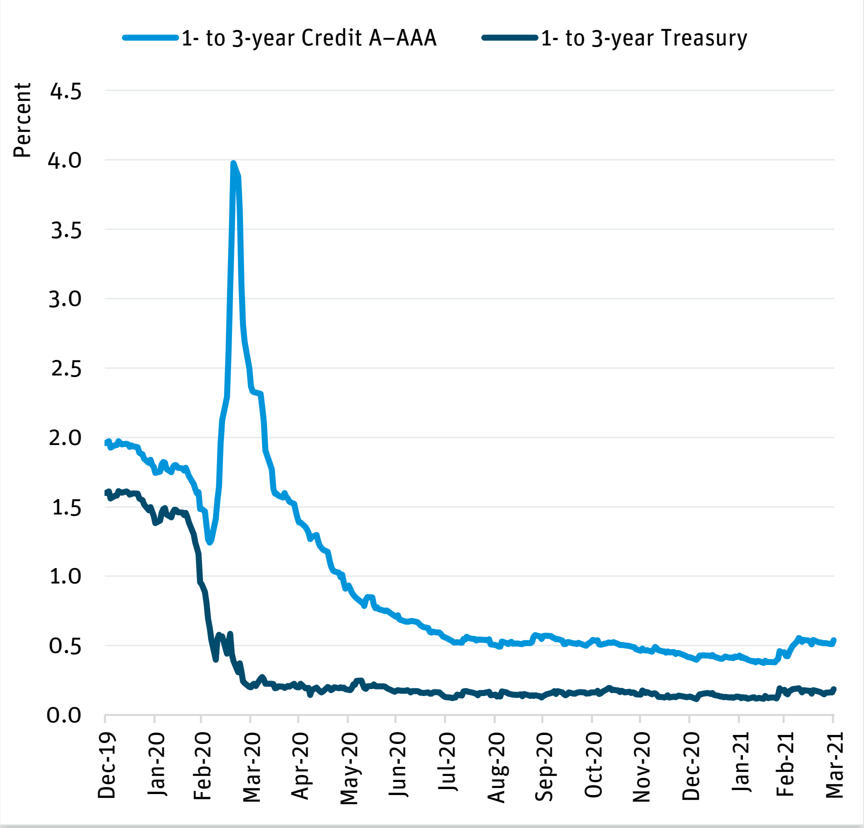
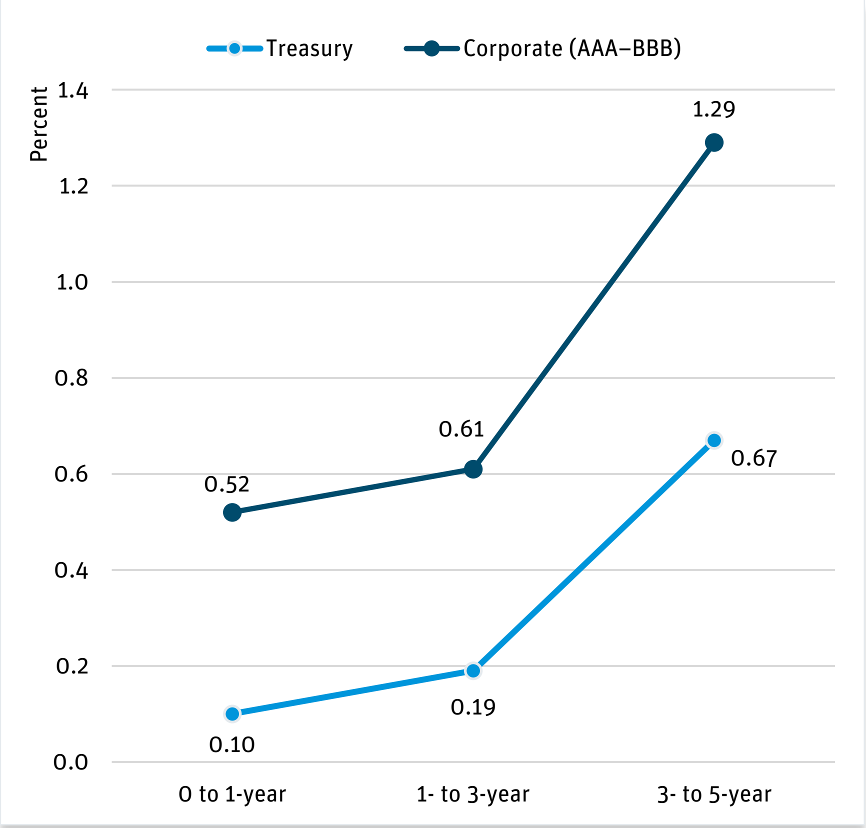
Front-End Relative Value: Anchored low

Front-end yields are projected to remain anchored low as the Fed continues to forecast no rate changes through the end of 2023. Within the front end, 1- to 3-year credit offers attractive yields relative to comparable Treasury maturities and money market funds in a low-interest-rate environment. Both credit and Treasury curves steepen past three years, as the market is pricing in potential higher rates in the future.

ICE BofA 1- to 3-Year A–AAA Corporate Credit Index vs. 1- to 3-Year Treasury Index



Bloomberg Treasury and Corporate Yields



Sources: SVB Asset Management, Bloomberg and ICE BofA. Data as of 3/31/2021. Past performance is not a guarantee of future results. The above is not to be construed as a recommendation for your particular portfolio.

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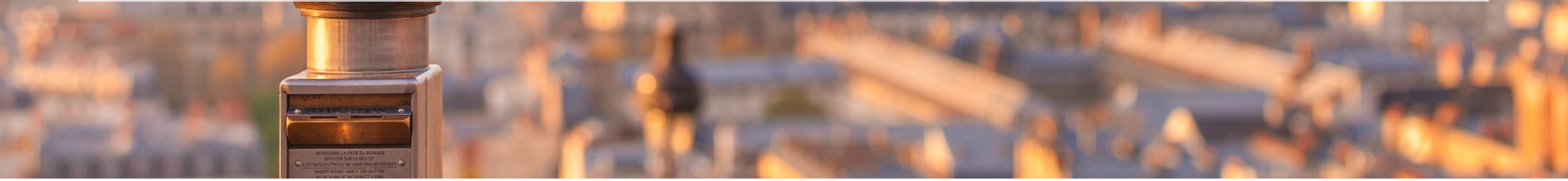

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