

Santander GO Short Duration Dollar

1 / 2025

Fund commentary

At the end of January, the Santander account had a duration of 0.66yrs, a spread duration of 0.56yrs, and a reporting yield of 4.52%. The ICE BAML 1-3yr Corporate OAS rallied 3bps to 53bps; the 2yr UST traded in a range of 4.17-4.42%, ending the month at 4.20%. For January, Santander returned 41.2bps.

Following the Fed's decision to keep rates unchanged at their meeting at the end of the month, it seems they are in "wait and see" mode. Powell made clear in the press conference that while they want to see further progress on inflation, inflation has already moved much closer to their target and they don't need it to be at target in order to cut rates again. However, given the uncertainty around what fiscal, tariff, and immigration policies will be implemented by the new administration and the effect that they could have on both growth and inflation, Powell said that the Committee will need some time to see what policies will be announced. With this in mind and considering the strength of the economy at the moment and the pickup in business sentiment that has been seen since the election, we think the Fed will deliver no more than two cuts in 2025. The positive sentiment was very supportive for credit ahead of the new issue calendar in January, with all deals seeing plenty of interest. However, the performance on the break was not so strong as the month went on, possibly showing some investor fatigue.

Going forward we will allow our portfolio duration to roll in to 0.60-0.65 years and will be nimble as we see developments in the market pricing of Fed cuts. Add 6-18 month fixed and floating-rate securities and tactically trade duration.

Trades to highlight:

Buy 2yr Athene fixed rate New Issue

Buy 18mo RBC floater New Issue

Buy 10mo Glencore CP

Buy 4mo First Energy OpCo fixed rate

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