# Fixed Income Allocation Strategy

NDR
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## Fixed Income Performance Update

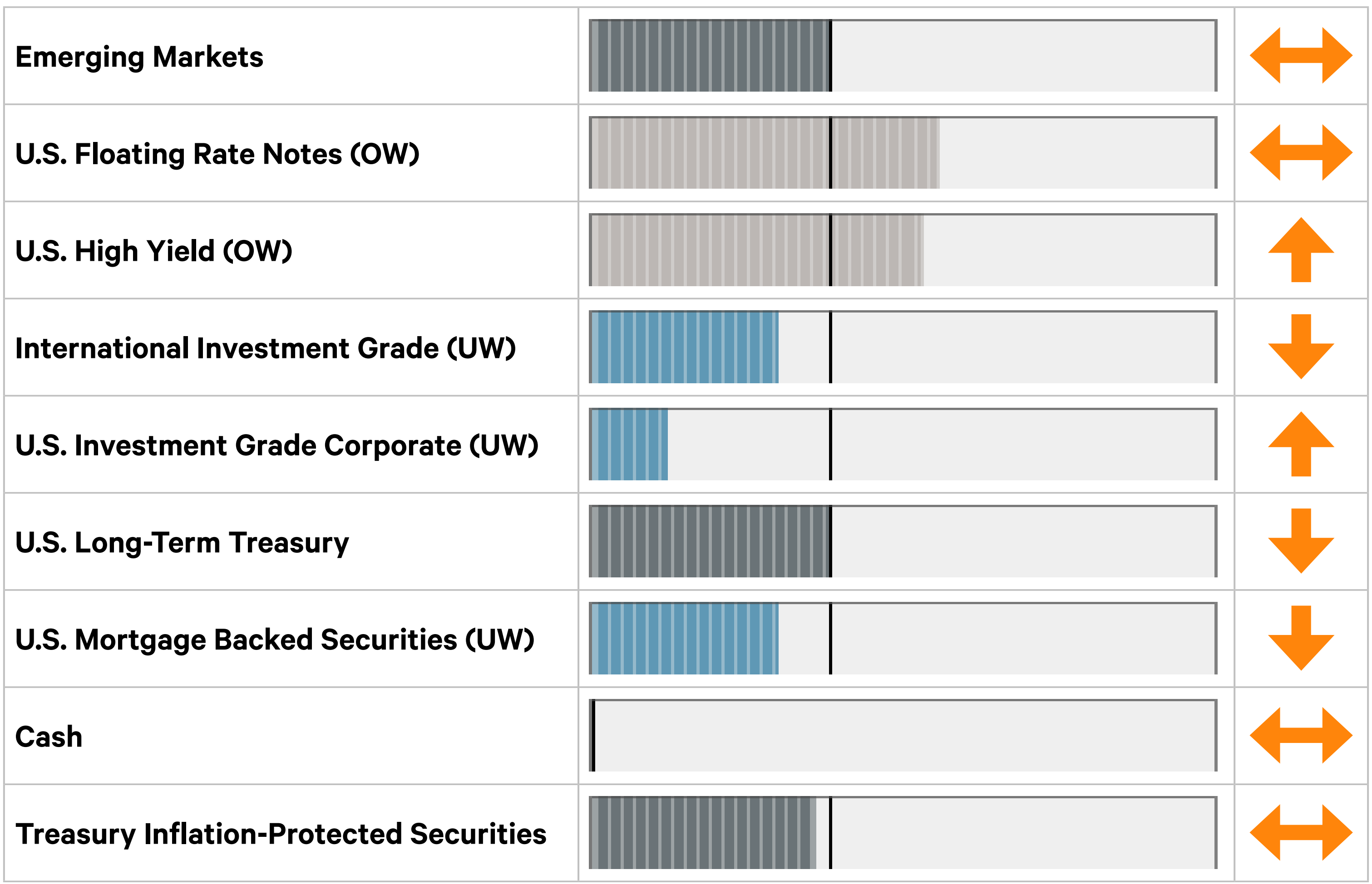
For the second time in the last three months, all fixed income areas fell. Floating Rate Notes (FLOT) was the only area to drop by less than 100 basis points (bps). However, FLOT has declined during seven of the last nine months.

Treasury Inflation-Protected Securities (TIP), Emerging Market bonds (EMB), and U.S. High Yield (JNK) all dropped by less than 200 bps.  EMB and JNK have been lower for four of the last five months. TIP has risen for four of the last six months.

U.S Investment Grade (LQD), International Investment Grade Bonds (BNDX), and U.S. Mortgage-Backed Securities (MBB) each fell by more than 200 bps during March. MBB has declined for ten of the last eleven months. BNDX and LQD have risen only once in the last eight months.

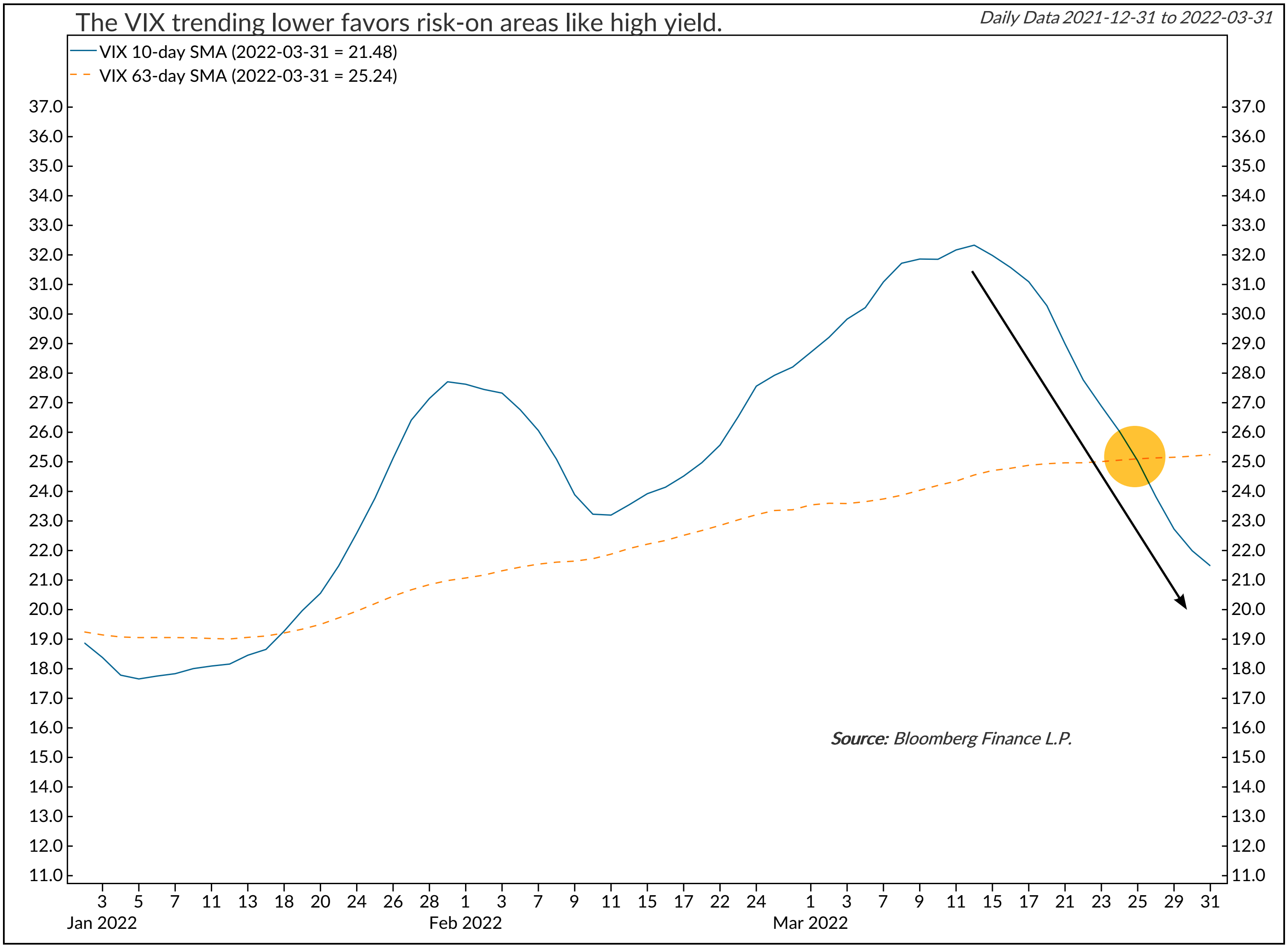
U.S. Long-Term Treasurys (TLT) plunged over 500 bps. It was TLT's largest monthly decline in one year. TLT has dropped by more than 100 bps for four straight months.

## Fixed Income Allocation Summary




**The vertical, black line represents the benchmark weight. The dark shading represents the sector's allocation. Shading significantly to the right (left) of the benchmark line represents an overweight (underweight) position. The direction of the arrow indicates whether the allocation increased, decreased, or remained approximately the same as the previous month.**

- Floating Rate Notes (FRN) has the largest overweight status. With the VIX reversing lower from recent highs, the conditional relative strength indicator exited its bullish reading. All but one of the sector's indicators are bullish.
- U.S. High Yield jumped to above benchmark allocation. Improving small-cap trends, strengthening absolute trend, receding VIX (chart, below), and narrowing spreads indicate a favorable environment for this risk-on area. Only one measure is bearish on the category.
- U.S. Long-Term Treasurys remains above benchmark. However, U.S. swaps reflect a challenging period for long-term Treasurys.
- Emerging Markets (EM) continues to be above benchmark allocation. EM currencies strengthened and the region's price trend improved. Now, more than half of the area's indicators are bullish on the territory.

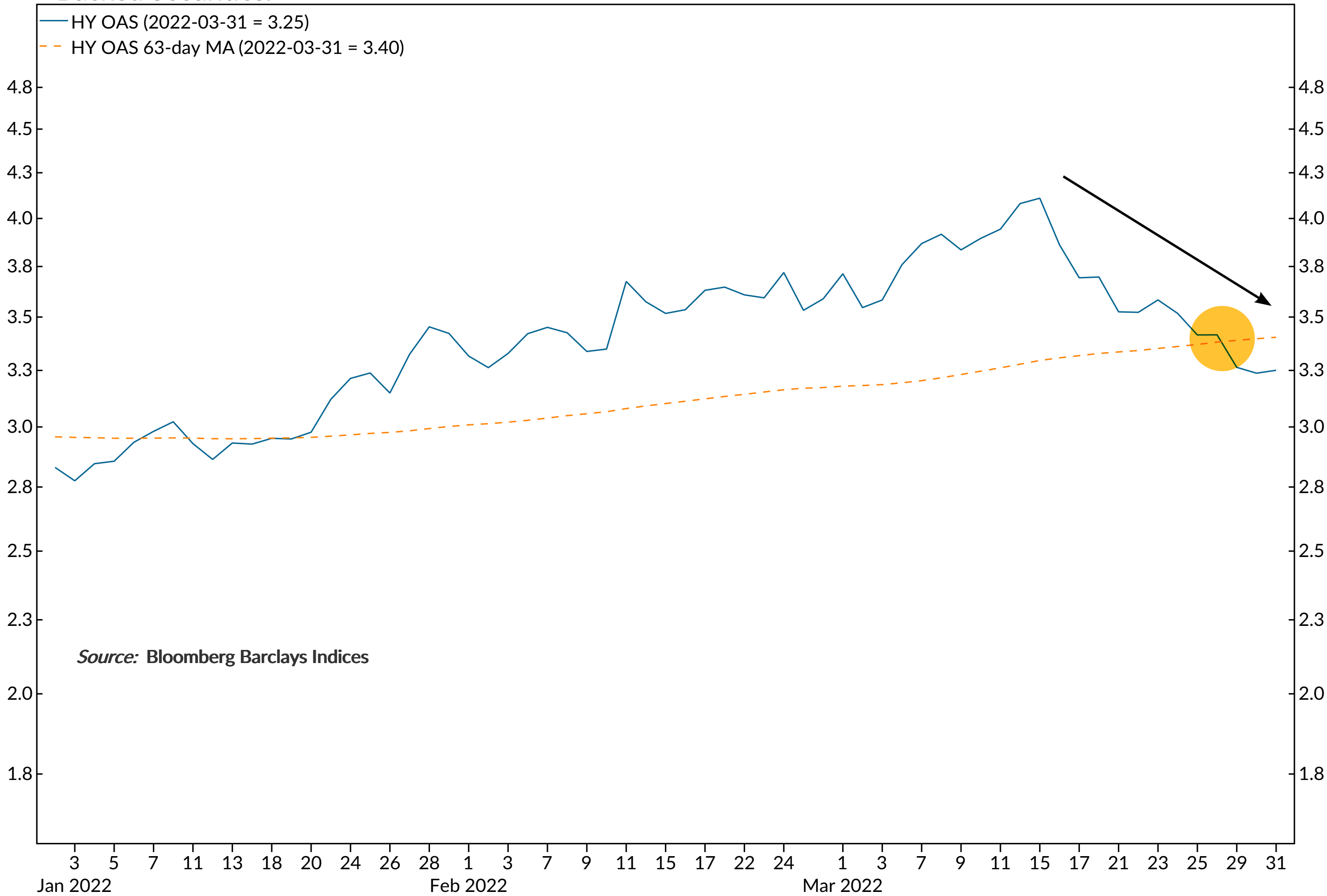



Customized version of VIX MACR

- Treasury Inflation-Protected Securities (TIPS) remains near benchmark allocation. Inflation expectations and widening spreads are not bullish for the sector. A technical mean reversion measure is no longer bearish on the area. None of the sector's indicators are bearish.
- International Investment Grade bonds' allocation is below benchmark. A falling VIX and narrowing spreads are not bullish for this sector. Only one of the sector's indicators is bearish this month.
- U.S. Mortgage-Backed Securities' (MBS) is near benchmark allocation. High yield spreads narrowed (chart, below), which does not favor a defensive allocation to MBS.
- The U.S. Investment Grade Corporate bond sector continues to be the most underweight area. Narrowing spreads and a rising U.S. Dollar are no longer headwinds for the sector. However, two-thirds of the sector's indicators are bearish.

*Daily Data 2021-12-31 to 2022-03-31*

High Yield Option-Adjusted Spreads Narrowing Does Not Favor Less Aggressive Areas like U.S. Mortgage-Backed Securities.




*Customized version of HY Option-adjusted Spread*

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