NDR
NED DAVIS RESEARCH

Fixed Income Allocation Strategy

NOVEMBER 2021

Fixed Income Performance Update

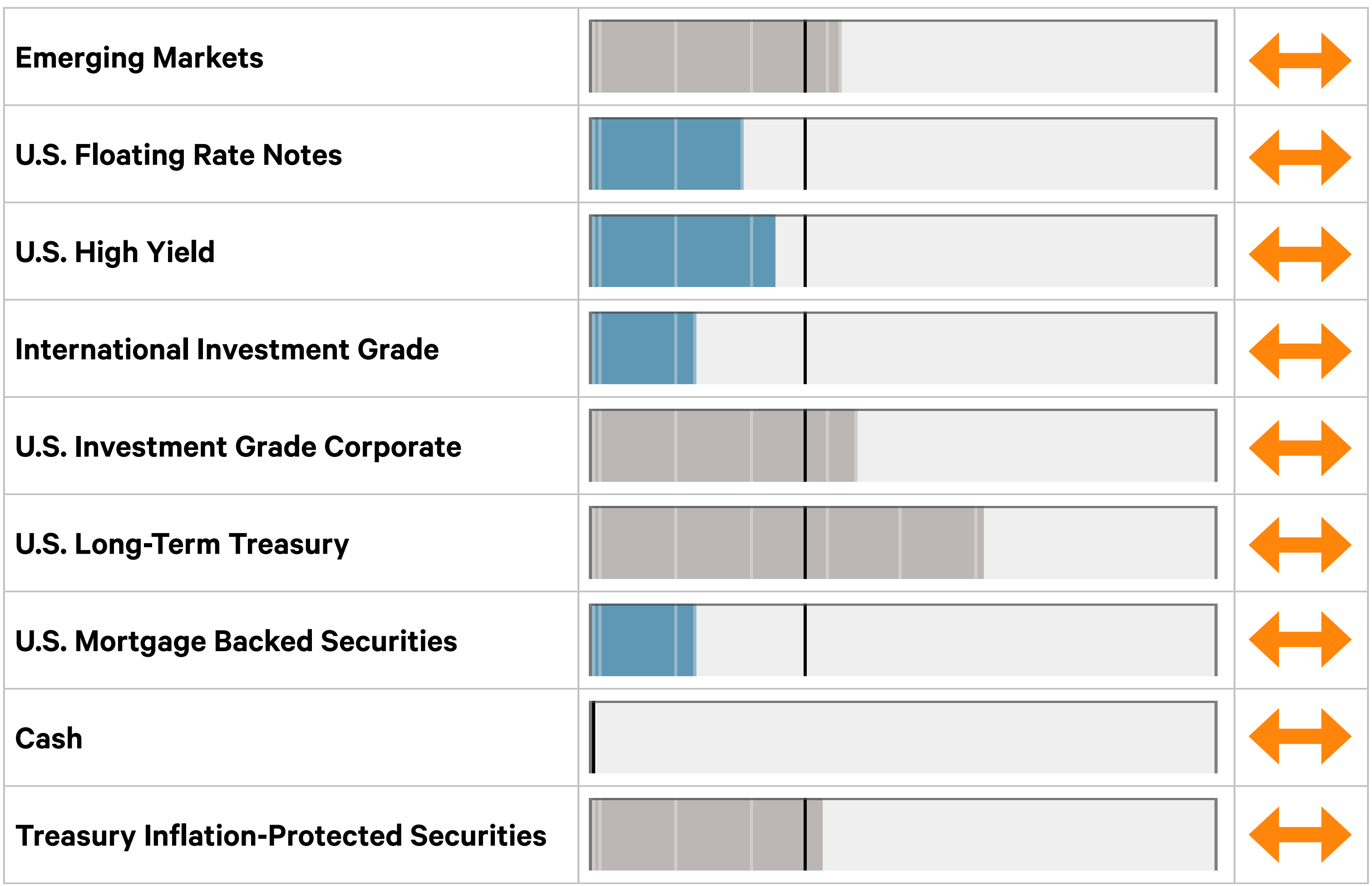
U.S. Long-Term Treasurys (TLT) was the top-performing fixed income area during October, as it rose by more than 200 basis points (bps). TLT had declined during the previous two months.

Treasury Inflation-Protected Securities (TIP) gained over 100 bps last month. TIP has increased for five of the last seven months.

U.S. Investment Grade (LQD) and Emerging Market bonds (EMB) both increased last month. It broke a two-month losing streak for LQD.

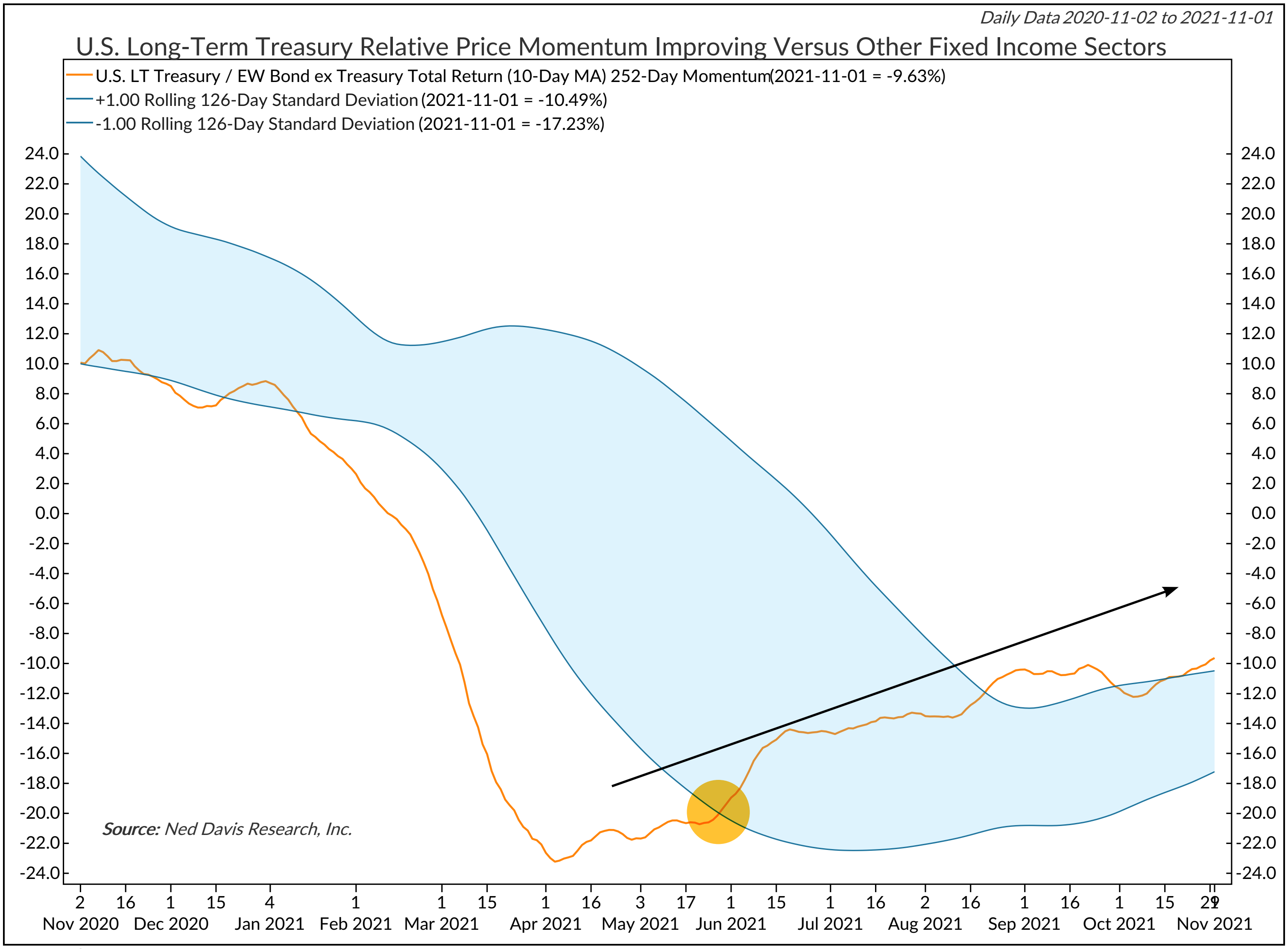
Floating Rate Notes (FLOT), U.S. Mortgage-Backed Securities (MBB), U.S. High Yield (JNK), and International Investment Grade Bonds (BNDX) all declined during October. MBB and BNDX have dropped for the last three months. JNK had not fallen for consecutive months since the first quarter of 2020. FLOT has produced negative returns during three of the last four months.

Fixed Income Allocation Summary



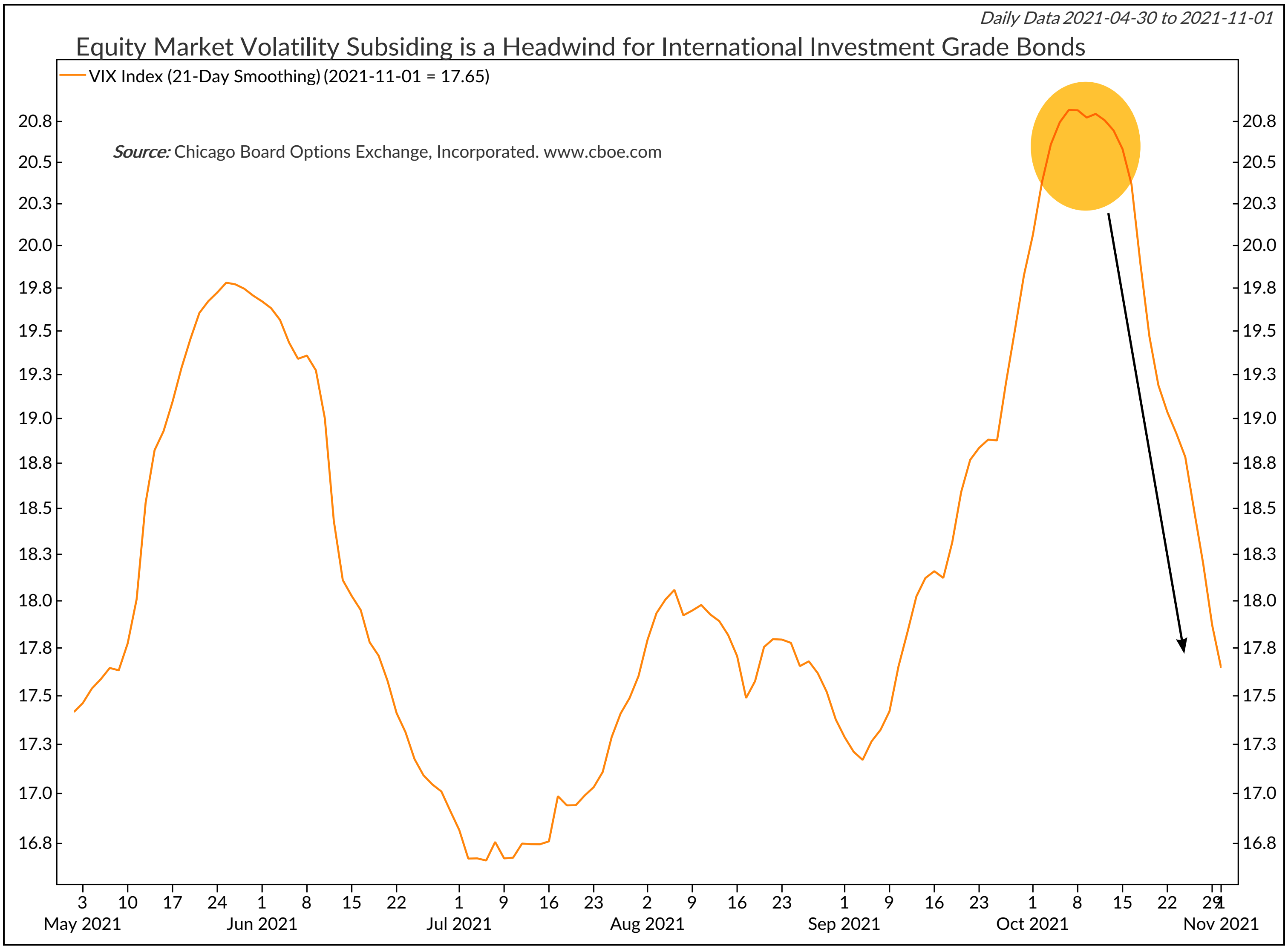
The vertical, black line represents the benchmark weight. The dark shading represents the sector's allocation. Shading significantly to the right (left) of the benchmark line represents an overweight (underweight) position. The direction of the arrow indicates whether the allocation increased, decreased,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

- U.S. Long-Term Treasurys' remains significantly above benchmark. Equity markets bounced higher in October, which is a headwind for Treasurys. Treasurys' near-term trend declined during October, but its relative momentum (chart, below) has recently improved. Only one of the sector's price-based (internal) and macro, fundamental, and behavioral (external) indicators is bearish.
- The U.S. Investment Grade Corporate bond sector's allocation continues to be overweight. Credit default swaps (CDS) and option-adjusted spreads (OAS) widened, neutralizing the recently triggered bullish signals by the onset of narrowing spreads from elevated levels.
- Emerging Markets (EM) remains overweight, but it is near benchmark allocation. The price trend weakened this month.
- Treasury Inflation-Protected Securities (TIPS) continues to receive higher than benchmark allocation. No indicators changed signals this month. Only one of the sector's indicators is bearish.
- Cash has no allocation this month.



Customized version of ISBM1_USLT_RS_MO

- U.S. High Yield is slightly below benchmark allocation. No indicators changed signals this month. The indicators are evenly split between bullish and bearish for this category.
- Floating Rate Notes remains underweight. The ten-year yield returned to elevated levels, which neutralized the bearish signal from an overbought reversal condition. Internal indicators such as trend and price momentum are bullish. The yield curve narrowed, which is bearish for the sector. Only one of the sector's indicators is bearish.
- International Investment Grade bonds is underweight. Equity market volatility decreased (chart, below), which is a headwind for the region.
- U.S. Mortgage Backed Securities' (MBS) continues to be underweight. Option-adjusted spreads have created headwinds for the category. Two-thirds of the sector's indicators are bearish.



Customized version of ISBM1_INTL_VIX_SLP

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