

Santander GO Short Duration Dollar

6 / 2025

Fund commentary

At the end of June, the Santander account had a duration of 0.62yrs, a spread duration of 0.59yrs, and a reporting yield of 4.43%. The ICE BAML 1-3yr Corporate OAS rallied 6bps to 54bps; the 2yr UST traded in a range of 3.71-4.04%, ending the month at 3.72%. For June, Santander returned 46.4bps.

This was yet another month of noticeable moves in treasury markets. The June FOMC meeting came and went with no change to policy nor the Fed's cautious stance. Although the labour market remained resilient, we saw rates move lower throughout the month. Much of this was driven by dovish Fed commentary from Bowman and Waller, and continued geopolitical tensions. Additionally, the market speculated on the early announcement of a shadow Fed Chair with a clear agenda for more aggressive rate cuts. As a result, more than 2 and half cuts were priced in for the remainder of the year. It is paramount to look through some of the noise and focus on the fundamentals, leading us to reduce duration in the portfolio. The expectation is that we will have better opportunities to add to our duration positioning as we head into a Fed cutting cycle.

Going forward we will trade the ranges of front end rates as we expect this period of volatility to continue. We will maintain our duration in a 0.60-0.70 year band, emphasizing our belief that the Fed's next move will be to cut. Add 6-18 month fixed and floating-rate securities and tactically trade duration.

Trades to highlight:

Buy 3NC2 Bank of America fixed rate

Buy 2yr CNO Global Funding fixed rate

Sell 2yr Treasury

Buy 1yr F&G Global Funding fixed rate

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