Santander Asset Management

Marketing Communication

Santander GO Short Duration Dollar

12 / 2025

Fund commentary

At the end of December, the Santander account had a duration of 0.64yrs, a spread duration of 0.68yrs, a reporting yield of 3.96%, and YTW of 3.96%. The ICE BAML 1-3yr Corporate OAS index remained at 51bps; the 2yr UST traded in a range of 3.45-3.62%, ending the month at 3.48%. For November, Santander returned 36.9bps.

With the recent government shutdown behind us, federal agencies are working through a backlog of delayed reports, making it challenging to obtain a comprehensive view of current economic conditions. The available data suggest that hiring activity remains subdued, while layoffs continue at relatively low levels. Privately sourced measures of consumer and business sentiment are mixed, though financial conditions have begun to ease. Notably, no inflation data were released for October; however, the September PCE report was softer than expected. Against this backdrop, at its final meeting of the year, the Federal Reserve (Fed) voted to cut the federal funds rate by 25 basis points (bps), setting a new target range of 3.50% to 3.75%. The committee also concluded its quantitative easing program. Going forward, it will increase the balance sheet by reinvesting proceeds from maturing U.S. Treasury securities and agency mortgage-backed securities, primarily into Treasury bills. Importantly, this action is intended as a reserve management tool to support the orderly functioning of short-term rates, rather than as an additional measure of monetary easing.

The November CPI report came in softer than expected. Headline and core CPI rose 2.7% and 2.6% year-over-year (y/y), respectively, down from 3.0% in September. Both measures increased just 0.1% month-over-month (m/m) in October and November—an unusually slow pace compared to the 0.3% average monthly gains in the third quarter. Core goods inflation remained steady, while core services inflation moderated, led by a 5.4% y/y decline in airfares. Delayed by the shutdown, the third-quarter GDP data release showed the U.S. economy grew at a stronger-than-expected annualized rate of 4.3%. Consumer spending, particularly among higher-income households, remained a key driver, rising 3.5%. Business fixed investment increased 2.8%, with gains in equipment and intellectual property products partially offset by weaker spending on structures; inventories weighed on overall growth. Residential fixed investment continued to contract, falling 5.1%. In other areas, government spending rose 2.2%, exports surged 8.8%, and imports declined 4.7%, all contributing positively to growth.

Going forward we aim to maintain a portfolio duration of 0.60 to 0.70 years. Our focus will be on purchasing 1-2yr fixed-rate corporate securities, select 2–3 year callable banks that offer a decent carry profile. We will trade high-quality duration and longer credit to express our rate views.

Trades to highlight:

Buy RABOBK 4.6550 8/28 Callable

Buy NACN 4.9500 2/28 Callable

Buy WSTPNZ 5.1320 2/27 fixed rate

Buy MBGGR 4.7500 3/28 fixed rate