

Santander GO Short Duration Dollar

4 / 2025

Fund commentary

At the end of April, the Santander account had a duration of 0.66yrs, a spread duration of 0.58yrs, and a reporting yield of 4.50%. The ICE BAML 1-3yr Corporate OAS was up 13bps at 74bps; the 2yr UST traded in a range of 3.45-3.99%, ending the month at 3.60%. For April, Santander returned 40.6bps.

The tug-of-war between positive developments (generally strong corporate earnings, expectations of trade talk progress, versus concerns about future economic growth continues, with the market more focused recently on the positives. The Trump administration has softened aggressive tariff policies, including a 90-day pause on supplementary tariffs and exemptions for ICT products from China tariffs, with potential trade agreements on the horizon. We now expect the Federal Open Market Committee (FOMC) to cut rates thrice in 2025. While hard economic data shows resilience, risks persist with potential tariff increases in pharmaceuticals, semiconductors, and movies, alongside the possibility of paused tariffs being enacted. Hard data often lags in event-driven downturns, exacerbated by pre-buying effects, while soft data, particularly consumer and business confidence, have declined more than usual. The Fed will not cut rates unless labor market conditions deteriorate or inflation expectations shift. We will continue to target a portfolio duration between 0.55 and 0.65 years.

Going forward we will allow our portfolio duration to drift lower to the 0.55-0.65 years range and will be opportunistic when adding or reducing to that position during this period of elevated uncertainty and volatility. Add 6-18 month fixed and floating-rate securities and tactically trade duration.

Trades to highlight:

Buy 2yr Treasury

Buy 15mo TD fixed rate

Buy 8mo Guardian Life fixed rate

Buy 7mo Chevron CP

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