

# Santander Latin American Corporate Bond

6 / 2025

## Fund commentary

It was a benign yet challenging month for assets that benefited from a tightening in corporate spreads, which more than offset the increase in Treasury yields. During the month, the 10-year Treasury yield increased to 4.40% from 4.17%, while the 30-year Treasury yield moved to 4.93% from 4.68%. LatAm corporate spreads tightened by around 30 bps, with a higher contribution from the HY space

During May, the US economy saw significant developments, starting with a temporary trade deal with China that reduced tariffs on most Chinese imports from 145% to 30%.

Economic indicators throughout the month provided mixed signals. Retail sales and the Philadelphia Fed Index were distorted by trade war news, while April's CPI inflation showed a 0.2% month-over-month increase for core CPI. Money markets adjusted their expectations for the Federal Reserve's monetary policy, initially anticipating three rate cuts in 2025, later lowering this to 2.3 cuts, with real rates remaining high at 1.8%. Hard data revealed weak growth rates in April, but the starting point indicated stronger GDP growth in 2Q25 relative to 1Q25. Confidence indicators showed mixed signals, with business confidence remaining unclear and consumer confidence pointing to downside risks for private consumption.

Towards the end of May, the Atlanta Fed revised its GDP forecast for 2Q25 from 2.2% to 3.8% after an imports plunge in April. Despite this, a downward adjustment in inventories and domestic demand was expected. Confidence indicators showed some recovery, but the current levels still pointed to low growth in private consumption and business investment. Overall, the economic landscape remained complex, with resilience in some areas and ongoing uncertainties in others.

During the month, the fund recorded both an absolute and relative positive return. It had positive relative performance in sectors such as Electric, Banks, Iron/Steel, and Agriculture. However, this good relative performance was partially offset by negative relative contributions from sectors such as Oil & Gas, Telecommunications, and Chemicals.

The top contributors were SAMMIN 31s, GLBACO 29s, and LTMCI 30s, while the bottom contributors were GEOPAR 30s, GTE 29s, and ALFACL 51s.

Although trade tensions have recently de-escalated with restrictions easing somewhat, it is critical to maintain a vigilant stance on market conditions. Latin American corporates appear well-positioned to navigate a more challenging

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macroeconomic environment, but it remains essential to focus on the most robust credits. Spreads have somewhat recovered throughout the year, but there seems to be more room for tightening in the HY space. All in all, we remain constructive on the asset class as entry yields remain quite attractive.

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