



## Portfolio Commentary

## Navigator® Fixed Income SMA

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## “Whatever It Takes” Squared.

On July 26th 2012, Mario Draghi issued his famous “whatever it takes” speech that became a defining moment in turning around the Euro Crisis enveloping the old world. On April 9th 2020, the Fed announced unprecedented steps to keep credit flowing. The Fed unveiled programs to provide an additional \$2 trillion in loans to companies and to help cash-strapped municipalities and states.

One of the highlights of the Fed's April 9th announcement was an expansion in the Fed's \$500 billion Municipal Lending Facility (MFL) providing a backstop to the municipal bond market. To buoy the taxable markets, the Fed expanded the size and scope of the Primary Market Corporate Credit Facilities (PMCCF) and the Secondary Market Corporate Credit Facilities (SMCCF). The result of the Fed's announcement produced the best quarter in equities since 1998 and dragged bonds along with it for the deflation ride.

Fixed Income markets responded sharply and ended higher for the quarter. Using the Bloomberg Barclays Municipal Bond Total Return Index as a reference, the muni market gained 2.72% on a total return basis during the second quarter. The Bloomberg Intermediate Corporate Bond Index gained 7.63% for the quarter. This moved both fixed income classes back to positive territory for 2020. Other key drivers contributing to the positive returns for the quarter included an accommodative Fed leading to a lower rate backdrop, positive fund flows for the quarter, and optimistic investor sentiment surrounding the potential economic reopening.

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The Bloomberg Barclays US Intermediate Corporate Bond Index measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD-denominated securities publicly issued by US and non-US industrial, utility and financial issuers that have between 1 and up to, but not including, 10 years to maturity.

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