

# Santander GO Short Duration Dollar

1 / 2026

## Fund commentary

At the end of January, the Santander account had a duration of 0.64yrs, a spread duration of 0.67yrs, a reporting yield of 3.90%, and YTW of 3.90%. The ICE BAML 1-3yr Corporate OAS index rallied 8bps to 45bps; the 2yr UST traded in a range of 3.44-3.62%, ending the month at 3.52%. For January, Santander returned 34.8bps.

The December jobs report painted a mixed picture with 50,000 jobs added, but the previous two months' figures were revised downward by 76,000, highlighting ongoing softness in job growth. On the positive side, the unemployment rate declined to 4.4% after a temporary rise to 4.6% in November. Meanwhile, December's inflation data was largely in line with expectations. Headline and core CPI rose 2.7% and 2.6% year-over-year, respectively. As anticipated, the Federal Open Market Committee (FOMC) voted in January to keep the federal funds rate steady at 3.50%-3.75%, following three consecutive rate cuts last year. The decision was not unanimous, with two members, Governors Miran and Waller, dissenting. The Fed's statement described economic activity as "solid" and noted "signs of stabilization" in the unemployment rate. Chair Powell indicated that while a rate cut is likely the next move, the timing will depend on clearer evidence that the inflationary effects of tariffs are temporary. As the month ended, President Trump announced the nomination of Kevin Warsh, a former Fed governor, as the next Fed Chair. Known as an "inflation hawk" who advocated for tighter monetary policy during the 2008 financial crisis, he is recognized for criticizing excessive quantitative easing, favoring a smaller Fed balance sheet. Warsh's confirmation is pending Senate approval, but he is expected to take over when Chair Powell's term ends in May.

Going forward we aim to maintain a portfolio duration of 0.60 to 0.70 years. This is predicated on our expectation that the Fed is not done cutting yet and so there is still value in holding some duration, albeit tactically. Our focus will be on purchasing 1-2yr fixed-rate corporate securities and 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 3nc2yr National Bank of Canada fixed rate new issue

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Buy 2nc1yr American Express fixed rate

Buy 2yr Treasury

Buy 1yr NBN Co fixed rate

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