

Santander GO Short Duration Dollar

2 / 2026

Fund commentary

At the end of February, the Santander account had a duration of 0.65yrs, a spread duration of 0.69yrs, and YTW of 3.88%. The ICE BAML 1-3yr Corporate OAS index widened 8bps to 53bps; the 2yr UST traded in a range of 3.37-3.59%, ending the month at 3.37%. For February, Santander returned 32.0bps.

Although the January jobs report surprised to the upside, with payrolls far exceeding expectations (130k vs 65k) and unemployment falling to 4.3%, we still saw rates move lower over the month. One of the reasons was due to inflation data coming in softer than expected as January CPI rose just 0.2% month-over-month vs 0.3% expected. This helped reinforce expectations for Fed rate cuts beginning later this year, even though the FOMC seemed rather balanced judging by the January meeting minutes. The other data that weighed on rates was Q4 2025 GDP growth which came in at 1.4%. This was partially attributed to disruptions from the government shutdown. Lastly, we witnessed a risk off tone across markets as concerns grew over the impact of AI, particularly on the software sector, the labour market, and therefore consumer spending. As the month came to a close the risks of an escalation in the Middle East grew and by the time of writing the US and Israel coordinated strikes against Iran. In retaliation Iran targeted various US bases across the region as the situation descended into war.

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. We will continue to monitor developments in Iran and may look to take advantage of any bigger moves in rates as we do not believe that the conflict should materially change the Fed's rate cutting path.

Trades to highlight:

Buy 2yr AbbVie fixed rate new issue

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Buy 2nc1yr Bank of New York fixed rate

Buy 1yr AstraZeneca fixed rate

Buy 1 month Alexandria CP

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