

SPDR Spotlight

Capitalize on the sweet spot of the curve with SPIB

The Lead

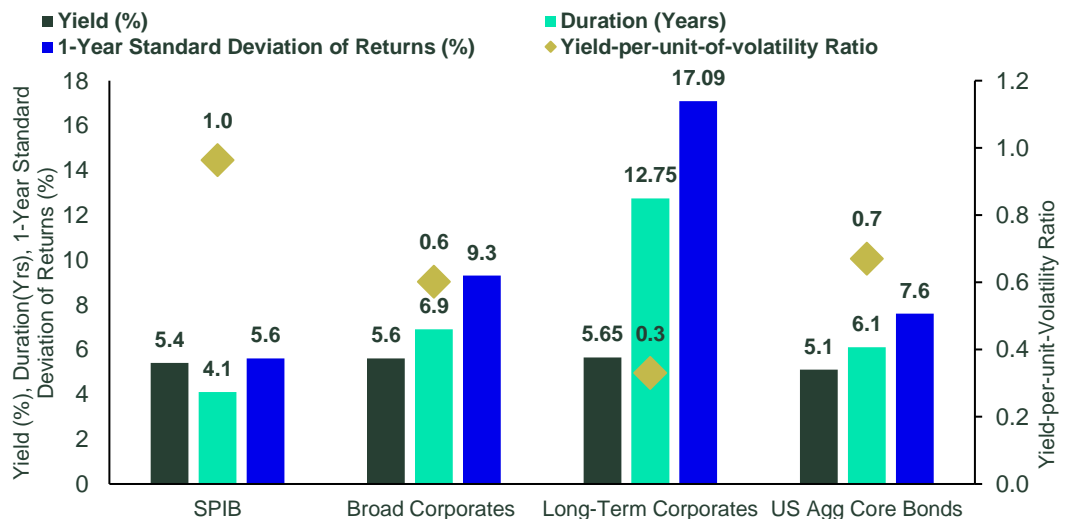
- Following minutes from the latest Federal Reserve (Fed) meeting which showed uncertainty over the path of inflation, the higher for longer mantra was reiterated by Fed officials with markets now projecting one cut in September and a coin flip for another cut in December¹
- This persistent uncertainty and bumpy path towards the Fed’s inflation target has led to record rate volatility, resulting in double digit two-year drawdowns for core bonds²
- Given the macro environment and shape of the yield curve investors may consider balanced high-quality intermediate investment-grade bonds to take on more fairly-compensated credit and rate risks, given yield, duration, and spread profiles relative to core bonds³

The Takeaway

The [SPDR® Portfolio Intermediate Term Corporate Bond ETF](#) is a low-cost, passively managed fund that seeks to offer precise, comprehensive exposure to US corporate bonds that have a maturity ranging from 1 to 10 years. Sitting in the ‘short-plus belly’ portion of the curve, which is increasingly being coined the “sweet spot”, allows this maturity exposure to better compensate investors for taking on some duration risk versus broad bonds, as shown in the chart below. By having some duration, if rates were to fall, the duration-induced price appreciation can add to the total return potential while at the same time, given the yield/duration profile, if rates rise, a stable cushion can help offset duration-induced price declines. This balance makes the fund an attractive option for investors seeking to take advantage of current rate uncertainty while also mitigating reinvestment risk.

Chart of the Week

SPIB’s yield-per-duration profile is attractive relative to the Agg and other IG Corporate sectors



Source: Bloomberg Finance L.P., ssga.com as of May 15, 2024. Yield for SPIB is the fund 30-Day SEC Yield., Broad Corporates = Bloomberg US Corporate Bond Index, Long-Term Corporates = Bloomberg Long U.S. Corporate Total Return Index, US Agg Core Bonds = Bloomberg US Aggregate Bond Index, . **Past performance is not a reliable indicator of future performance.**

Standard Performance

| Ticker | Name | QTD (%) | YTD (%) | Annualized | | | | | Inception Date | Gross Expense Ratio |
|------------|--|---------|---------|------------|------------|------------|-------------|---------------------|----------------|---------------------|
| | | | | 1 Year (%) | 3 Year (%) | 5 Year (%) | 10 Year (%) | Since Inception (%) | | |
| SPIB (NAV) | SPDR® Portfolio Intermediate Term Corporate Bond ETF | 0.33 | 0.33 | 4.92 | -0.58 | 1.86 | 2.39 | 3.70 | 02/10/2009 | 0.04% |
| SPIB (MKT) | SPDR® Portfolio Intermediate Term Corporate Bond ETF | 0.30 | 0.30 | 4.78 | -0.61 | 1.85 | 2.38 | 3.70 | 02/10/2009 | 0.04% |

Source: ssga.com, as of 3/31/2024. **Performance returns for periods of less than one year are not annualized. Past performance is not a reliable indicator of future performance. Investment return and principal value will fluctuate, so you may have a gain or loss when shares are sold. Current performance may be higher or lower than that quoted. All results are historical and assume the reinvestment of dividends and capital gains. For SPDR ETFs, visit ssga.com for most recent month-end performance.** The market price used to calculate the Market Value return is the midpoint between the highest bid and the lowest offer on the exchange on which the shares of the Fund are listed for trading, as of the time that the Fund's NAV is calculated. If you trade your shares at another time, your return may differ. The gross expense ratio is the fund's total annual operating expenses ratio. It is gross of any fee waivers or expense reimbursements. It can be found in the fund's most recent prospectus.

Footnotes

- 1 Bloomberg Finance L.P., as of 5/24/2024
- 2 Bloomberg Finance L.P. as of 5/14/2024 based on trailing 3-year standard deviation of returns for the Bloomberg US Aggregate Bond Index from 1994-2024 using monthly returns
- 3 Bloomberg Finance L.P. as of 5/14/2024

ssga.com

Marketing Communication

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