

Dorsey Wright Fixed Income Allocation Index

Dorsey Wright Fixed Income Allocation Index Review

The Dorsey Wright Fixed Income Allocation Index (DWFIR) is a rules-based, transparent, tactical strategy that uses relative strength to compare and rank many of State Street's Fixed Income ETFs. The Index was launched in February 2016 and currently employs a defined universe of 21 ETFs that include exposure to floating rate notes, senior bank loans, U.S. municipal bonds, U.S. convertible securities, U.S. and non-U.S. treasury bonds, corporate bonds, high yield bonds, and inflation-protected bonds, among other sub-sectors. The Index inventory is reviewed and can change as new product is launched, or existing product needs to be removed. At any given time, DWFIR holds four ETFs from the SPDR product lineup that display the most powerful relative strength characteristics. The inventory is evaluated each week for changes in market leadership, and has the capability to rotate into any combination of the funds within the investable inventory.

Dorsey Wright Fixed Income Allocation Index Update

- Unlike most other fixed income indexes, DWFIR has the ability to adapt and adjust its allocation based on market trends. Dorsey Wright Fixed Income Allocation Index holds four fixed income ETFs from the SPDR product lineup that are exhibiting positive relative strength versus the strategy's inventory. The index is currently allocated to Convertible (CWB), Emerging Markets Local Bond (EBND), International Corporate Bond (IBND), and International Government Inflation-Protected Bond (WIP)
- The current allocation reflects a more "risk-on" / rising interest rate environment for fixed income, as the strategy offers exposure to areas such as international, and hybrid, or equity-like fixed income sectors.
- The most recent addition to the index is WIP, which replaced Long Term Corporate Bond (SPLB) during the week of February 14th.
- There are currently two major drivers of DWFIR's allocation - rising interest rates and the falling US Dollar.
- IBND, which was added the week of February 7th and replaced High Yield Bond (JNK), has a 3-year weekly correlation (through 1/31/18) of -0.924 to the US Dollar (DX/Y) while JNK has a correlation of 0.047. This indicates that while there isn't much of a relationship between High Yield and the US Dollar, there is with International Bonds.
- If the weakness in the US Dollar persists, the portfolio will be able to participate in this trend even further, as the portfolio is oriented towards non-US debt that tends to have a negative correlation to the US Dollar. The average correlation between SSFIXED's current holdings and the U.S dollar is -0.33 (through 2/13/18).
- The US Treasury 30YR Yield Index (TYX) hit its highest level since March of last year, 3.125%, on 2/5/18. Similarly, the US Treasury 5YR Yield Index FVX hit its highest level in more than five years on 2/7/18. The upward movement in rates has been accompanied by losses and a deterioration in many U.S. fixed income ETFs.
- On the Dorsey Wright Fixed Income Allocation Ranking, the most negative movements came from Long Term Treasuries (SPTL). Currently, the strategy does not have any exposure to US Treasuries at this time
- Emerging Market Local Bonds and International Corporate Bonds are ranked first and second, respectively, in the Dorsey Wight State Street Fixed Income Relative Strength Ranking.

State Street Global Advisors offers an ETF within the SPDR ETF lineup that seeks to track the DWAFIR Index. The SPDR Dorsey Wright Fixed Income Allocation ETF (DWFIF) is listed on the Nasdaq stock exchange. For more information on the ETF, visit the State Street site here: <https://us.spdrs.com/en/etf/spdr-dorsey-wright-fixed-incomeallocation-etf-DWFIF>


More Information

Dorsey Wright State Street Fixed Income Ranking

Rank	Ticker	Name	Buye
1	EBND.TR	SPDR Barclays Capital Emerging Markets Local Bond ETF TR	19
2	IBND.TR	SPDR Barclays Capital International Corporate Bond ETF TR	18
3	WIP.TR	SPDR DB International Government Inflation-Protected Bond TR	18
4	CWB.TR	SPDR Barclays Capital Convertible Bond ETF TR	18
5	BWX.TR	SPDR Barclays Capital International Treasury Bond TR	16
6	BWZ.TR	SPDR Barclays Capital Short Term International Treasury Bond TR	15
7	JNK.TR	SPDR Barclays Capital High Yield Bond TR	14
8	SRLN.TR	SPDR Senior Bank Loan Fund TR	13
9	SPLB.TR	SPDR Barclays Capital Long Term Corporate Bond ETF TR	13
10	SPIB.TR	SPDR Barclays Capital Intermediate Term Credit Bond ETF TR	11
11	TFI.TR	SPDR Barclays Capital Municipal Bond TR	11
12	PSK.TR	SPDR Wells Fargo Preferred Stock ETF TR	11
13	SPAB.TR	SPDR Barclays Capital Aggregate Bond ETF TR	8
14	MBG.TR	SPDR Barclays Capital Mortgage Backed Bond ETF TR	7
15	SPSB.TR	SPDR Barclays Capital Short Term Corporate Bond ETF TR	6
16	IPE.TR	SPDR Barclays Capital TIPS ETF TR	5
17	ITE.TR	SPDR Barclays Capital Intermediate Term Treasury ETF TR	5
18	FLRN.TR	SPDR Floating Rate Bond Fund TR	3
19	SHM.TR	SPDR Barclays Capital Short Term Municipal Bond TR	3
20	BIL.TR	SPDR Barclays 1-3 Month T-Bill ETF TR	1
21	SPTL.TR	SPDR Barclays Capital Long Term Treasury ETF TR	1

For more information on the Dorsey Wright Fixed Income Allocation Index (DWAFIR), please email dwa@dorseywright.com or visit <https://indexes.nasdaqomx.com/Index/Overview/DWAFIR>

(As of 02/14/18)

 = Current Holding in DWAFIR

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