SPDR Spotlight

Less Risk, Greater Yield Potential – BIL

The Lead

- Federal Reserve officials have indicated further interest rates hikes might be needed to bring inflation down to the 2% target, with most officials seeing at least two more increases as necessary – translating into a potential fed funds rate as high as 5.75% this year.
- Policy makers’ actions may further increase the attractiveness of defensive yield opportunities at the short end of the curve, as US 1-3 month T-bills have historically tracked the fed funds rate (see chart below).
- The SPDR® Bloomberg 1-3 Month T-Bill ETF (BIL) seeks to provide exposure to publicly issued US T-bills with a remaining maturities between one and three months, offering pure access to the increasing attractiveness on the short-end of the curve.

The Takeaway

Policy makers have indicated the need to continue tightening and the market expectations are more aligned with the policy guidance, indicating at least one more hike by the end of 2023. Strong labor market data may support additional hikes, which, if historical relationship holds, could result in US 1-3 month T-bills yielding even more than current 5.25%, potentially further increasing its attractiveness relative to US stocks and core bonds which currently yield 4.7% and 5%, respectively. Their higher yield paired with low duration (0.14 years) and low volatility (0.42%) makes this ultra-short government exposure an attractive option for generating cash flows while limiting risk.

Chart of the Week

US 1-3 month T-bills have historically tracked the fed funds rate.

### Standard Performance

<table>
<thead>
<tr>
<th>Ticker</th>
<th>Name</th>
<th>YTD (%)</th>
<th>Annualized</th>
<th>Inception Date</th>
<th>Gross Expense Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>1 Year (%)</td>
<td>3 Year (%)</td>
<td>5 Year (%)</td>
</tr>
<tr>
<td>BIL (NAV)</td>
<td>SPDR® Bloomberg 1-3 Month T-Bill ETF</td>
<td>2.25</td>
<td>3.56</td>
<td>1.16</td>
<td>1.38</td>
</tr>
<tr>
<td>BIL (MKT)</td>
<td>SPDR® Bloomberg 1-3 Month T-Bill ETF</td>
<td>2.26</td>
<td>3.57</td>
<td>1.17</td>
<td>1.39</td>
</tr>
</tbody>
</table>

Source: ssga.com, as of 6/30/2023. 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.

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### Footnotes

1. US Federal Reserve June Meeting Minutes, as of July 5, 2023
2. Bloomberg Finance L.P., as of July 6, 2023
3. Bloomberg Finance L.P. World Interest Rate Probability, as of July 6, 2023
5. ssga.com as of July 5, 2023
7. ssga.com as of July 5, 2023
8. Bloomberg Finance L.P. as of July 6, 2023. Calculated from the funds monthly returns over a 1-year time period, and then annualized.
from other fixed income
U.S. Treasury obligations may differ
income security sold or redeemed
issuer default risk; issuer credit risk;
rates rise, bond prices
contain interest
term risk
investment horizon. You should
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obtained from sources believed to be
projected.
and actu
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forward
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based on market and other conditions.
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