NYL Investors LLC
Fixed Income Investors

April 2019

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Fixed Income Investors
Summary - as of April 30, 2019

- April began on a positive note for risk assets as further progress was made on a finalized trade deal between the U.S. and China, but contentious issues remain unresolved.
- Q1 growth came in much stronger than expected at 3.2%. While the topline number was impressive, the details of the report were underwhelming.
- Overall consumption, which drives two-thirds of the U.S. economy, came in at only 1.2%.
- The labor market bounced back after a weak February, adding 196,000 jobs during the month of March, keeping unemployment historically low at 3.8%.
- Average hourly earnings printed at 3.2% (YoY), marking the ninth straight month of 3% plus growth.
- Chair Powell stated that the Federal Reserve does not see a strong case for a rate move in either direction and the current weakness in inflation is "transitory."
- High Grade Credit was the best performing sector in the Bloomberg Barclays U.S. Aggregate Index during the month, producing 87 bps of excess return.
- The Industrial and Utility sectors outpaced the broader market, returning 105 bps and 98 bps of excess return, respectively.
- The Financial and Non-corporate sectors generated 75 bps and 44 bps, respectively.
- Excess returns for CMBS and ABS were 31 bps and 9 bps, respectively, while MBS underperformed by 1 bp.
- Fixed rate supply in the month of April registered at $96 billion, largely in line with initial expectations.

Source: Bloomberg, NYL Investors, Barclays – May 2019.
Past performance is not indicative of future results.
MBS – Mortgage-Backed Securities
CMBS – Commercial Mortgage-Backed Securities
ABS – Asset-Backed Securities

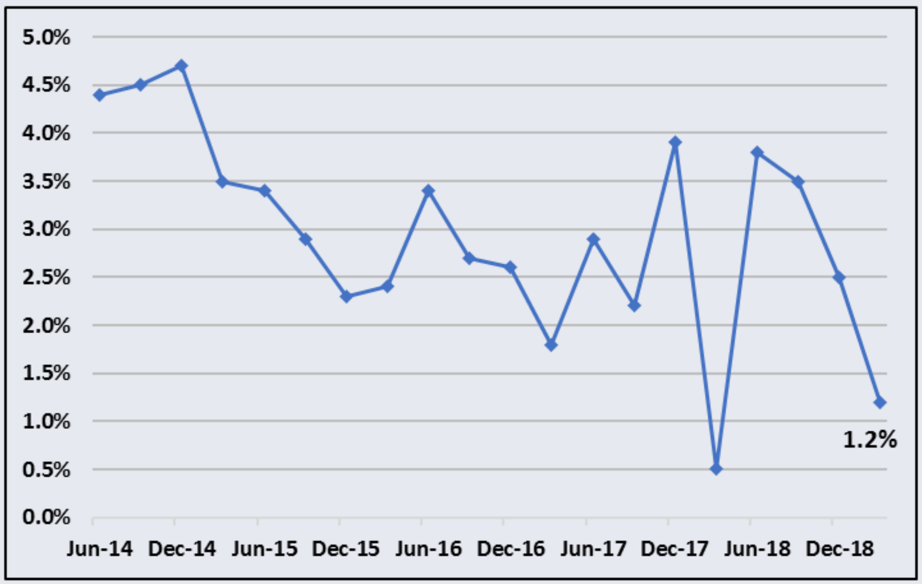
Fixed Income Investors

Market Review - as of April 30, 2019

The month of April began on a positive note for risk assets as further progress was made on a finalized trade deal between the U.S. and China. Several areas of contention, such as intellectual property and enforcement mechanisms, are unresolved. The relationship between the U.S. and China delegations remains fragile as both sides fear domestic repercussions from being perceived as losing the trade deal.

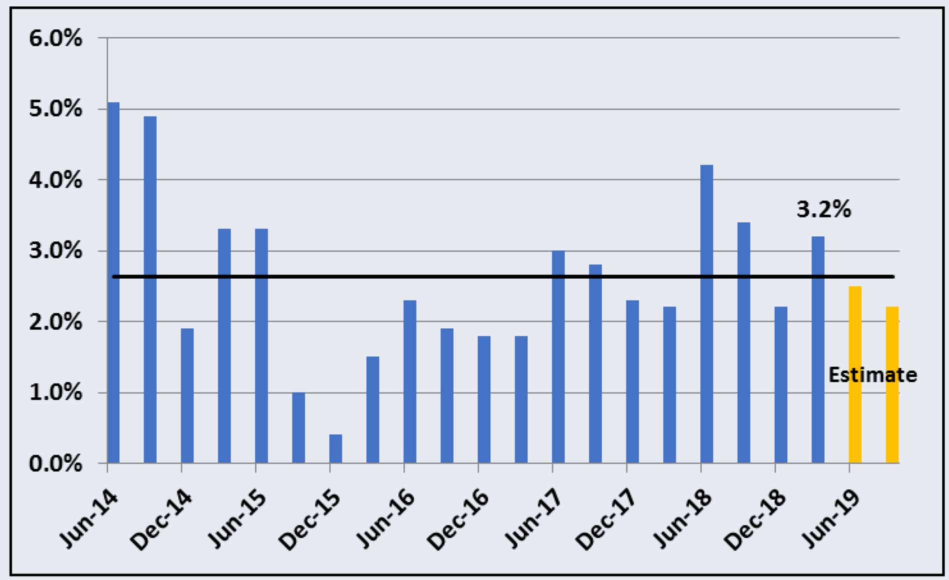
Toward the end of the month, Q1 growth came in much stronger than expected at 3.2%. While the topline number was impressive, the details of the report were underwhelming. Driving the stronger than expected growth were net exports, which added 1% to GDP and should be reversed in Q2, as well as an acceleration in inventory. Overall consumption, which drives two-thirds of the U.S. economy, came in at only 1.2%. The labor market bounced back after a weak February, adding 196,000 jobs during the month of March, keeping unemployment historically low at 3.8%. Average hourly earnings printed at 3.2% (YoY), marking the ninth straight month of 3% plus growth.

U.S. Personal Consumption



Source: Bloomberg, May 2019

U.S. Real GDP (QoQ%)



Source: Bloomberg, May 2019

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The Federal Open Market Committee (FOMC) kept the Fed Funds range unchanged at their April meeting, instead making only a technical adjustment to front-end interest rates. They lowered interest on excess reserves (IOER) by 5 bps to 2.35% hoping to push down the effective fed funds rate which was trading toward the top end of the 2.25% - 2.50% range. Initially, the market assumed the technical adjustment was an indicator future rate cuts were likely. During Chair Powell's press conference, he confirmed that the IOER adjustment was a technical fix and not at all a reflection of monetary policy. He also stated that the Federal Reserve does not see a strong case for a rate move in either direction and the current weakness in inflation is "transitory."

Interest rates moved higher and the curve steepened during the month of April led by ten-year notes which sold off 10 bps while two-year notes finished 1 bp higher. High Grade Credit was the best performing sector in the Bloomberg Barclays U.S. Aggregate Index during the month, producing 87 bps of excess return. Within securitized products, CMBS produced 31 bps of excess return, outperforming both the MBS and ABS sectors. The S&P 500 was up 3.9% during the month of April.

The Bloomberg Barclays Credit Index tightened 8 bps to close the month at 104 bps. The Industrial and Utility sectors outpaced the broader market, returning 105 bps and 98 bps of excess return, respectively. The Financial and Non-corporate sectors generated 75 bps and 44 bps, respectively. Year-to-date excess returns stand at 342 bps and have eclipsed the negative returns experienced in 2018. Spread performance was driven by the benign macro backdrop during the month and further tailwind from an accommodative Federal Reserve. Investor appetite for incremental yield resulted in strong inflows for the asset class. First quarter corporate earnings to date have been positive, leading to a strong fundamental backdrop for the asset class.

US Fixed Income Excess Returns

Index	1-Month	3-Month	YTD	1-Year
Credit Aaa	0.15%	0.28%	0.64%	0.58%
Credit Aa	0.34%	0.82%	1.81%	0.98%
Credit A	0.65%	1.25%	2.91%	0.80%
Credit Baa	1.28%	2.52%	4.69%	1.62%
Finance	0.75%	1.45%	3.34%	1.65%
Industrial	1.05%	1.97%	4.04%	1.24%
Utility	0.98%	2.16%	2.57%	-0.89%
Supranational	0.07%	0.21%	0.24%	0.44%
Sovereign	0.83%	1.98%	4.28%	2.53%

4/30/2019

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Market Review - as of April 30, 2019

Fixed rate supply in the month of April registered at $96 billion, largely in line with initial expectations. Once again, the calendar was easily absorbed despite minimal concession to secondary paper. New issues performed well post pricing, ultimately leading to strong performance in secondary markets. Furthermore, dealer balance sheets remain well positioned as there has been limited investor selling versus the primary calendar. New issue supply is down 9% from 2018 levels, further supporting the already strong technical backdrop.

The risk-on sentiment and search for incremental yield resulted in lower quality credit outperforming in April. Investors took comfort in better than expected first quarter earnings and ultimately pushed spreads tighter among Baa Industrial issuers. Credit quality compression will likely continue as fundamentals are aligned with the technical backdrop for the foreseeable future.

The new issue calendar is seasonally active during the month of May, and this year will be no different. Expectations for supply have fluctuated as there are several acquisition-related financings which may come to market, thereby possibly surpassing expectations. Performance could be impacted if supply surprises to the upside, leading to potential softness in secondary paper.

The risk-on sentiment propelled by continued dovish sentiment from the Federal Reserve drove positive excess returns in Non-Agency Structured Products in April, while Agency MBS performance was weighed down by a deteriorating fundamental and technical backdrop. Excess returns for CMBS and ABS were 31 bps and 9 bps, respectively, while MBS underperformed by 1 bp. A light primary calendar generated a positive technical force within the CMBS market in April, with only two private label conduit transactions pricing versus four in the month prior. Longer duration and subordinate tranches (primarily Aa and Baa) continue to drive excess returns, as investors reach for yield. Within ABS, credit cards and autos performed well, with excess returns of 10 bps and 9 bps, respectively. Demand for ABS remains robust, as the spread basis versus shorter duration high quality corporates compresses, and the 2-3yr part of the swap curve remains the most attractive from a relative value standpoint.

US Fixed Income Excess Returns

Index	1-Month	3-Month	YTD	1-Year
Agg	0.26%	0.51%	1.10%	0.34%
Agency	0.10%	0.33%	0.30%	0.27%
Credit	0.87%	1.71%	3.42%	1.19%
MBS	-0.01%	-0.06%	0.26%	-0.11%
ABS	0.09%	0.33%	0.50%	0.69%
CMBS	0.31%	0.98%	1.50%	1.04%
USD EM	0.63%	1.24%	3.99%	0.83%

4/30/2019

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Market Review - as of April 30, 2019

While a lack of market volatility and dovish narrative from the Federal Reserve has traditionally been a tailwind for MBS, the weakening quality of the TBA deliverable and pickup in daily origination volumes tipped the excess return scale into negative territory. Supply averaged $2.75bn per day in April versus $2.25bn in March, and convexity has worsened as we approach peak seasonals and remain at the lower bound of the local rate range. Furthermore, demand from money managers and large banks remains challenged in the current landscape. Within MBS, the 15yr and 20yr sectors lead the underperformance, returning negative 15 bps, as investors preferred the higher carry and wider nominal spread of 30yrs, without taking on material extension risk.

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Supplemental Data - as of April 30, 2019

US Treasury Yields

Term	4/30/2019	Change vs. 1 Month Ago	Change vs. 3 Months Ago	Change YTD	Change vs. 1 Year Ago
1Y	2.37%	-1	-17	-22	14
2Y	2.27%	1	-19	-22	-22
3Y	2.24%	3	-19	-22	-39
5Y	2.28%	5	-16	-23	-52
7Y	2.39%	7	-13	-20	-53
10Y	2.50%	10	-13	-18	-45
30Y	2.93%	11	-7	-9	-19
2s10s	24	9	6	4	-23
10s30s	43	2	6	10	26

US Fixed Income Total Returns

Index	1-Month	3-Month	YTD	1-Year
Agg	0.03%	1.89%	2.97%	5.29%
Treasury	-0.28%	1.35%	1.83%	4.77%
Agency	0.05%	1.48%	1.87%	4.40%
Credit	0.49%	3.16%	5.39%	6.38%
MBS	-0.06%	1.30%	2.11%	4.89%
ABS	0.26%	1.27%	1.75%	3.99%
CMBS	0.21%	2.39%	3.46%	6.39%
USD EM	0.40%	2.58%	5.85%	5.88%

4/30/2019

Source: Bloomberg, NYL Investors, Barclays – May 2019.
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Fixed Income Investors

Supplemental Data - as of April 30, 2019

US Fixed Income Total Returns

Index	1-Month	3-Month	YTD	1-Year
Credit Aaa	0.05%	1.49%	2.27%	4.94%
Credit Aa	0.00%	2.18%	3.65%	5.84%
Credit A	0.25%	2.71%	4.90%	6.05%
Credit Baa	0.86%	4.03%	6.74%	6.97%
Finance	0.56%	2.80%	5.19%	6.56%
Industrial	0.57%	3.48%	6.10%	6.64%
Utility	0.24%	3.82%	4.82%	4.96%
Supranational	0.16%	1.30%	1.72%	4.41%
Sovereign	0.25%	3.59%	6.48%	8.26%

4/30/2019

US Fixed Income Spreads

Index	4/30/2019	Change vs. 1 Month Ago	Change vs. 3 Months Ago	Change YTD	Change vs. 1 Year Ago
Agg	44	0	-3	-10	4
Agency	13	0	-4	-3	0
Credit	104	-9	-17	-39	2
MBS	41	6	9	6	13
ABS	38	-1	-8	-15	-5
CMBS	65	-4	-14	-21	0
USD EM	289	-3	-7	-54	43

Source: Bloomberg, NYL Investors, Barclays – May 2019.
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Fixed Income Investors

Supplemental Data - as of April 30, 2019

US Fixed Income Spreads

Index	4/30/2019	Change vs. 1 Month Ago	Change vs. 3 Months Ago	Change YTD	Change vs. 1 Year Ago
Credit Aaa	19	-2	-4	-7	-5
Credit Aa	59	-3	-7	-22	-3
Credit A	84	-6	-12	-34	-4
Credit Baa	145	-12	-25	-52	6
Finance	101	-8	-18	-46	-2
Industrial	116	-9	-17	-41	6
Utility	108	-8	-19	-36	6
Supranational	10	-1	-4	-3	-5
Sovereign	120	-7	-19	-41	-4

Global Equity Returns

Stock Index	4/30/2019	1-Month	3-Month	YTD	1-Year
S&P 500	2946	4.05%	9.48%	18.25%	13.49%
Nasdaq	8095	4.77%	11.47%	22.38%	15.82%
STOXX	391	3.76%	10.29%	17.27%	4.49%
FTSE 100	7418	2.33%	8.11%	12.04%	3.15%
DAX	12344	7.10%	10.48%	16.91%	-2.13%
Italy	21881	2.80%	10.90%	19.41%	-8.75%
Nikkei	22259	4.97%	8.10%	12.20%	1.15%
China	3078	-0.40%	19.10%	23.43%	-0.13%

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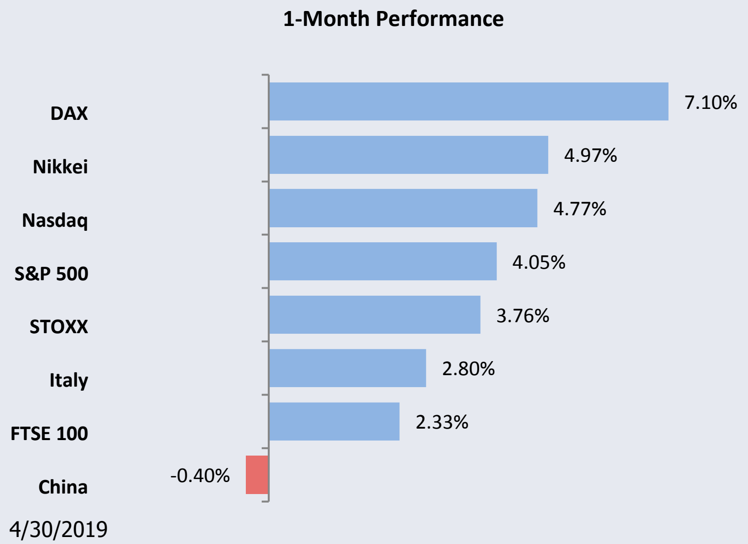

Europe

Stock Index	Last	1-Month	3-Month	YTD	1-Year
STOXX	391	3.76%	10.29%	17.27%	4.49%
FTSE 100	7418	2.33%	8.11%	12.04%	3.15%
DAX	12344	7.10%	10.48%	16.91%	-2.13%
CAC 40	5586	4.78%	12.46%	18.73%	3.66%
Portugal	5391	3.53%	5.10%	13.93%	-2.21%
Italy	21881	2.80%	10.90%	19.41%	-8.75%
Ireland	6455	5.63%	13.31%	19.28%	-3.41%
Greece	773	7.19%	21.84%	26.08%	-8.19%
Spain	9571	4.37%	6.56%	13.52%	-0.76%
Russia	2559	2.49%	1.52%	8.51%	10.94%

4/30/2019

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International

Stock Index	Last	1-Month	3-Month	YTD	1-Year
MSCI EAFE	1921	2.81%	6.10%	13.07%	-3.22%
MSCI EM	1079	2.11%	3.19%	12.24%	-5.04%
MSCI FM	542	0.17%	2.20%	7.06%	-12.09%
MSCI FM100	1200	0.25%	2.48%	8.13%	-11.23%

4/30/2019

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