NYL Investors LLC
Fixed Income Investors

April 2021

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Please see the last page for important disclosures regarding the information contained herein.
NYL Investors affiliates may develop and publish research that is independent of, and different than, the views expressed.

Fixed Income Investors

Summary - as of April 30, 2021

- April began with great optimism for the future of the U.S. economy.
- Continued progress on the vaccination roll-out combined with a better-than-expected March jobs report pushed the consensus growth projection for 2021 to 6.3%.
- The CDC expects to reach herd immunity with 70% - 85% of the U.S. population fully vaccinated sometime in the August to September timeframe.
- President Biden introduced his America Families Plan in late April which would cost $1.8 trillion. This would be in addition to $2.2 trillion already being allocated to the CARES Act and the $2+ trillion for the proposed infrastructure plan.
- First quarter GDP annualized (QoQ %) came in at 6.4%. While this number was slightly below the 6.7% consensus, it still points to an economy rapidly healing from the pandemic.
- ISM Manufacturing and Services Indices came in at 60.7 and 62.7, respectively, for the month of April. Both numbers were below consensus but still above 50, signaling continued economic expansion.
- During the month of April, the economy gained 266k jobs, well below the 1 million expected, with prior month job gains being revised down from 916k to 770k.
- The unemployment rate increased from 6.0% to 6.1% while labor force participation ticked up to 61.7%.
- Some economists believe extended unemployment benefits, not set to expire until September, are dissuading lower income workers from returning to the workforce.
- Average hourly earnings (MoM %) increased by 0.7% while consensus was for no change from March. Core PCE Deflator (YoY) came in at 1.8% for the month of April, 0.4% higher than March.
- While realized inflation remains below the Federal Reserve's ("the Fed's") 2% flexible average inflation target ("FAIT"), recent readings have been encouraging.
- The Citi U.S. Inflation Surprise Index, which measures price surprises relative to market expectations, finished the month of April at its highest level since September 2008.
- First quarter earnings confirmed an already positive view on the fundamental backdrop, surpassing most expectations.
- The Bloomberg Barclays Credit Index tightened 2 bps during the month, resulting in 12 bps of excess return versus duration-matched Treasuries.
- The Utility and Financial sectors outpaced the broad market with 42 bps and 26 bps of excess returns, respectively.
- The Non-corporate and Industrial sectors generated just 6 bps and 3 bps of excess returns, respectively.
- The new issue calendar retreated to a more modest cadence in April. Fixed-rate issuance hit $124 billion with a definitive skew toward financial issuers.
- Within Securitized Products, excess returns for the three sectors were 11 bps in MBS, 4 bps in ABS, and CMBS continued its outperformance with 39 bps.

Source: Bloomberg, NYL Investors, Barclays – May 2021.
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, 2021

The month of April began with great optimism for the future of the U.S. economy. Continued progress on the vaccination rollout combined with a better-than-expected March jobs report has pushed the consensus growth projection for 2021 to 6.3%. If realized, the 6.3% growth would be the strongest annual growth since 1984, a remarkable recovery just one year removed from the depths of the COVID-19 pandemic. According to the CDC, as of May 6th, 45% of the total population has received at least one dose with 32.8% of the population being fully vaccinated. The CDC expects to reach herd immunity with 70% to 85% of the U.S. population fully vaccinated sometime in the August to September timeframe. This timeline could be pushed back if more hiccups occur like the ten-day pause Johnson & Johnson’s Janssen (J&J/Janssen) COVID-19 Vaccine experienced in late April.

Toward the end of April, President Biden introduced his America Families Plan. The proposed plan would cost $1.8 trillion. This would be in addition to $2.2 trillion already being allocated to the CARES Act passed in late March and the $2+ trillion for the proposed infrastructure plan which is currently being debated in Congress. The American Families Plan focuses on education, affordable childcare/paid leave, and tax cuts for lower income earning Americans. The plan would expand public funding for education from 13 to 17 years. The four additional years would consist of two years of universal preschool and two years of community college. In addition, the plan would increase the timeline for paid family and medical leave as well as provide higher childcare subsidies for parents making less than $125,000 annually. The plan would be paid for by raising the top income tax bracket to 39.6%, nearly doubling the capital gains tax paid by Americans earning more than $1 million annually and increasing IRS enforcement to close loopholes used to avoid tax payments. Most political observers expect the Biden administration to have a much more difficult time passing this bill than they will with the proposed infrastructure package. Within Congress, there is some measure of bipartisan support for improving America’s crumbling infrastructure while Republicans are uniformly opposed to the tax hikes needed to pay for the American Families Plan. The Biden administration could look to garner bipartisan support by reducing the total dollar amount of the plan or finding new ways outside of tax hikes to fund the expenditures. They could also attempt to pass the legislation through the budget reconciliation process. This process would allow the bill to pass along party lines but may not include everything in the $1.8 trillion proposal.

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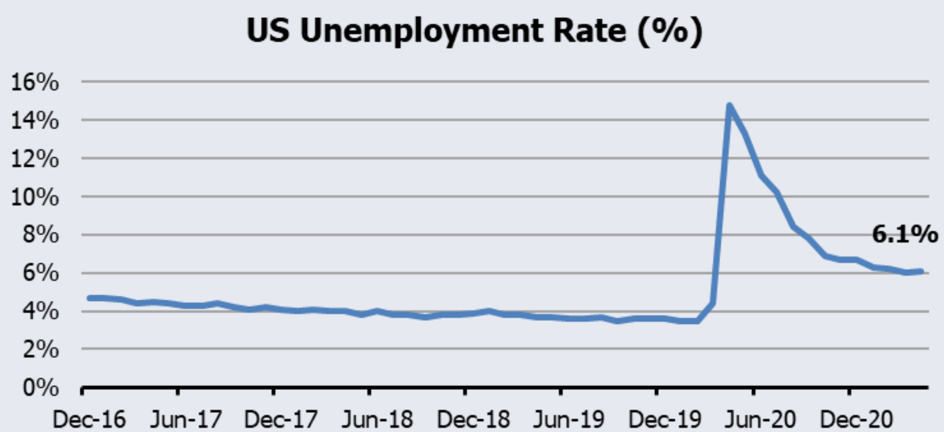
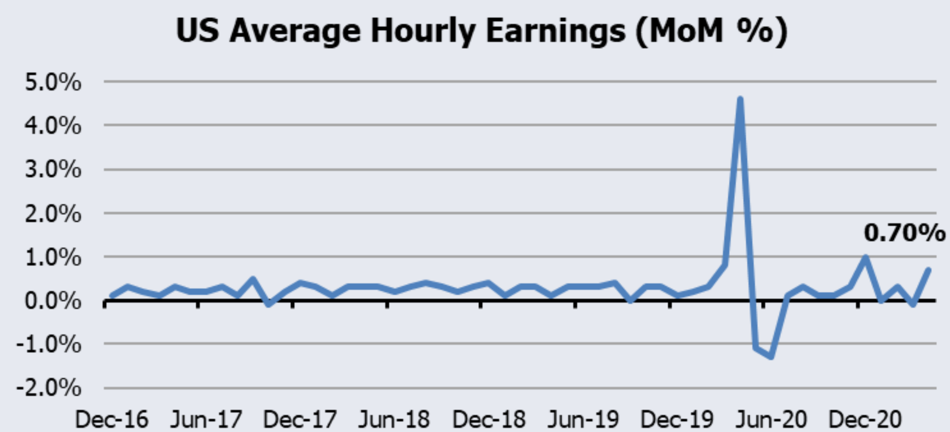
Near the end of the month, first quarter GDP annualized (QoQ %) came in at 6.4%. While this number was slightly below the 6.7% consensus, it still points to an economy rapidly healing from the pandemic. ISM Manufacturing and Services Indices came in at 60.7 and 62.7, respectively, for the month of April. Both numbers were below consensus but still above 50, signaling continued economic expansion. On the employment front, during the month of April, the economy gained 266k jobs, well below the 1 million expected, with prior month job gains being revised down from 916k to 770k. While we saw continued improvement in the leisure and hospitality sector, other sectors such as transportation, retail, and manufacturing came in well below consensus. While one jobs report does not constitute a trend, it does call into question the effectiveness of the vast amounts of fiscal stimulus currently being deployed. Businesses are struggling to find workers, particularly in lower income-earning positions. Some economists believe extended unemployment benefits, not set to expire until September, are dissuading lower income workers from returning to the workforce. The unemployment rate increased from 6.0% to 6.1% while labor force participation ticked up to 61.7%. The one bright spot from April's jobs report was average hourly earnings. Average hourly earnings (MoM %) increased by 0.7% while consensus was for no change from March. Core PCE Deflator (YoY) came in at 1.8% for the month of April, 0.4% higher than March. While realized inflation remains below the Federal Reserve's ("the Fed's") 2% flexible average inflation target ("FAIT"), recent readings have been encouraging. The Citi U.S. Inflation Surprise Index, which measures price surprises relative to market expectations, finished the month of April at its highest level since September 2008.



Source: Bloomberg, May 2021
Unemployment rate measures the total unemployed as a percent of the civilian labor force (official unemployment rate).



Source: Bloomberg, May 2021

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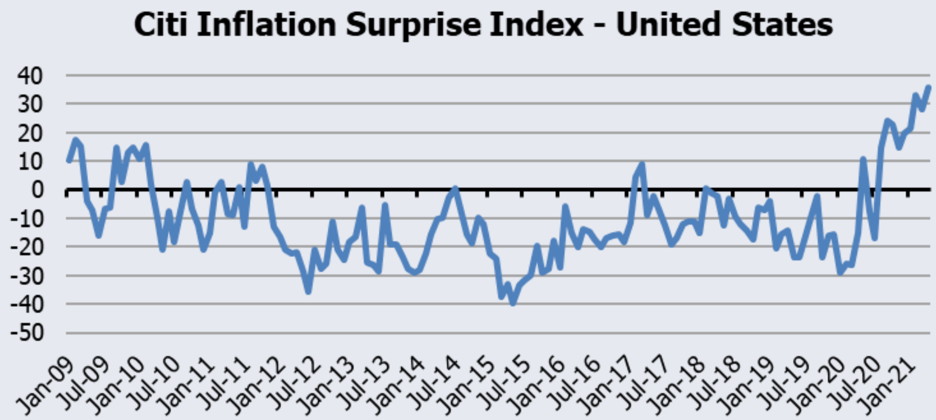

Source: Bloomberg, May 2021
The Citi U.S. Inflation Surprise Index measures price surprises relative to market expectations. A positive reading means that inflation has been higher than expected, and a negative reading means that inflation has been lower than expected.

Interest rates moved lower and the curve flatter during the month, led by the long end. The two-year part of the curve was unchanged while the twenty-year part of the curve moved 14 bps lower. CMBS was the best performing sector in the Bloomberg Barclays U.S. Aggregate Index during the month, producing 39 bps of excess return. High Grade Credit was the second-best performing sector during the month, outpacing both ABS and MBS.

US Treasury Yields

Term	4/30/2021	Change vs. 1 Month Ago	Change vs. 3 Months Ago	Change YTD	Change vs. 1 Year Ago
1Y	0.05%	-1	-3	-6	-9
2Y	0.16%	0	5	4	-4
3Y	0.33%	-2	16	16	9
5Y	0.85%	-9	43	49	48
7Y	1.31%	-11	55	67	77
10Y	1.63%	-11	56	71	99
30Y	2.30%	-11	47	65	101
2s10s	147	-11	51	68	102
10s30s	67	0	-9	-6	3

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Investment Grade Credit continues to trade in a very narrow band as volatility remains subdued. The Bloomberg Barclays Credit Index tightened 2 bps during the month, resulting in 12 bps of excess return versus duration-matched Treasuries. Sector performance shifted slightly during April as the Utility and Financial sectors outpaced the broad market with 42 bps and 26 bps of excess returns, respectively. The Non-corporate and Industrial sectors generated just 6 bps and 3 bps of excess returns, respectively. The technical backdrop for the asset class remains firm as investor demand remains high, driven by considerable positive fund inflows. Furthermore, risk positioning across the dealer community remains incredibly stable as new issues are easily absorbed resulting in little to no selling to fund the calendar. First quarter earnings confirmed an already positive view on the fundamental backdrop, surpassing most expectations. Forward-looking statements across most sectors are gradually shifting from cautious to cautiously optimistic, and dare we say solidly optimistic. Wage inflation and increasing input costs deserve further monitoring in the coming quarters, and the potential impacts on either inflation of margin compression remain top of mind.

US Fixed Income Spreads

Index	4/30/2021	Change vs. 1 Month Ago	Change vs. 3 Months Ago	Change YTD	Change vs. 1 Year Ago
Agg	29	-2	-7	-13	-45
Agency	4	0	-3	-6	-28
Credit	83	-2	-9	-9	-108
MBS	7	-5	-11	-32	-32
ABS	31	-4	5	-2	-128
CMBS	65	-6	-7	-16	-107
USD EM	273	-6	-7	-8	-346

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Fixed Income Investors

Market Review - as of April 30, 2021

As expected, with the start of earnings season, the new issue calendar retreated to a more modest cadence in April. Fixed-rate issuance hit $124 billion with a definitive skew toward financial issuers. More specifically, the top domestic money center banks printed historically large transactions during the month which resulted in slightly more attractive new issue concessions in the banking sector. Demand for the calendar remains robust, and the issuance was easily digested once again. April issuance was slightly more skewed to the short and intermediate maturity buckets as banks have less 30-year funding needs than industrials. Market participants quickly shifted their focus to May issuance expectations as the month is seasonally active, especially for industrial issuers coming out of earnings blackout periods. Street expectations vary widely, with some as high as $150 billion. With rate and spread stability firmly in place, issuers will likely look to take advantage of the conditions and complete funding needs before entering the summer months and the usual slowdown in activity.

Within Securitized Products, April was not an overly exciting month as spreads continued their slow grind tighter, reaching new or remaining at all-time tights. Excess returns for the three sectors were 11 bps in MBS, 4 bps in ABS, and CMBS continued its outperformance with 39 bps in excess return. In MBS, Conventional production coupon (2.0 & 2.5) mortgages were 5-8 bps tighter in OAS during the month, reaching their post-COVID tights. Fed reinvestment remained high in April, which was reflective of the low primary rates and high prepayment rates seen early in the first quarter. Additionally, higher mortgage rates in March and April led to a decline in MBS supply. These factors combined with steady deposit growth in the banking sector resulting in robust bank demand for MBS propelled valuations in April. Generally, higher coupons struggled during the month as the sustained rate rally, combined with speed reports pointing to burnout being a figment of imagination, put downward pressure on dollar prices.

US Fixed Income Excess Returns

Index	1-Month	3-Month	YTD	1-Year
Agg	0.08%	0.34%	0.43%	3.33%
Agency	0.02%	0.01%	0.16%	0.94%
Credit	0.12%	1.00%	1.04%	9.73%
MBS	0.11%	0.02%	0.26%	0.42%
ABS	0.04%	0.03%	0.20%	3.28%
CMBS	0.39%	0.39%	0.85%	6.25%
USD EM	0.57%	1.29%	1.35%	16.40%

4/30/2021

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In ABS, spreads on index-eligible paper (cards and autos) remain in the mid-to-high single digits, and with the front end of the yield curve relatively anchored, almost all performance is coming from carry and roll. In the more esoteric spaces (non-index eligible), such as cell tower, containers, rail, and triple net lease, spreads are all in the 80-105 bp context for roughly 5-year spread duration assets. These spreads reflect levels at or near all-time tights, but only 10-20 bps tighter from their 2021 entry points. Issuance in ABS remains robust at $23.1 billion YTD, down just $4.8 billion from 2019 levels, reflecting a reversion to pre-COVID volumes.

CMBS excess returns in April were driven by a tightening in AAA spreads from the 2021 wides reached at the end of March, although mezzanine performed well and credit curves continue to flatten as investors look for reopening trades lower in the CMBS capital stack. Secondary supply dropped materially into month end, with just $25 million in 2019 and 2020 vintage last-cashflows for sale on bids wanted in competition ("BWICs") in the last two weeks of the month. The supply technical has caused secondary AAAs to trade at a premium of around 5 bps to primary, but this basis will likely compress in the near term. Issuance in CMBS also remains very strong with $13.5 billion in private label supply in April. 2021 volumes are approximately 49% higher YoY at $37.5 billion, roughly 46% higher compared to this time in 2019.

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Supplemental Data - as of April 30, 2021

US Fixed Income Total Returns

Index	1-Month	3-Month	YTD	1-Year
Agg	0.79%	-1.91%	-2.61%	-0.27%
Treasury	0.75%	-2.60%	-3.53%	-4.32%
Agency	0.42%	-1.02%	-1.18%	-0.41%
Credit	1.06%	-2.27%	-3.44%	4.25%
MBS	0.55%	-0.63%	-0.55%	-0.17%
ABS	0.14%	-0.16%	-0.02%	3.34%
CMBS	0.94%	-1.38%	-1.40%	4.06%
USD EM	1.33%	-1.36%	-2.20%	12.18%

4/30/2021

US Fixed Income Total Returns

Index	1-Month	3-Month	YTD	1-Year
Credit Aaa	0.57%	-1.52%	-2.06%	-0.70%
Credit Aa	1.19%	-2.44%	-3.64%	1.02%
Credit A	1.08%	-2.55%	-3.88%	1.85%
Credit Baa	1.10%	-2.14%	-3.27%	7.89%
Finance	0.97%	-1.74%	-2.59%	5.24%
Industrial	1.10%	-2.47%	-3.90%	4.64%
Utility	1.67%	-3.58%	-5.00%	0.21%
Supranational	0.39%	-0.88%	-1.02%	-0.32%
Sovereign	0.99%	-3.80%	-5.60%	7.44%

4/30/2021

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Fixed Income Investors

Supplemental Data - as of April 30, 2021

US Fixed Income Spreads

Index	4/30/2021	Change vs. 1 Month Ago	Change vs. 3 Months Ago	Change YTD	Change vs. 1 Year Ago
Credit Aaa	15	0	-3	-4	-23
Credit Aa	50	-2	-10	-11	-72
Credit A	69	-2	-7	-5	-83
Credit Baa	112	-2	-11	-12	-156
Finance	79	-5	-5	-4	-124
Industrial	91	-2	-11	-10	-116
Utility	96	-3	-7	-10	-72
Supranational	8	-1	-2	-4	-15
Sovereign	125	2	-2	1	-137

Global Equity Returns

Stock Index	4/30/2021	1-Month	3-Month	YTD	1-Year
S&P 500	4181	5.34%	12.98%	11.84%	45.98%
Nasdaq	13963	5.43%	7.01%	8.55%	58.30%
STOXX	437	2.21%	11.43%	10.60%	31.44%
FTSE 100	6970	4.11%	10.15%	9.28%	22.15%
DAX	15136	0.85%	12.68%	10.33%	39.35%
Italy	24141	-2.06%	11.91%	8.58%	36.46%
Nikkei	28813	-1.25%	4.83%	5.68%	44.94%
China	3447	0.14%	-1.04%	-0.75%	20.52%

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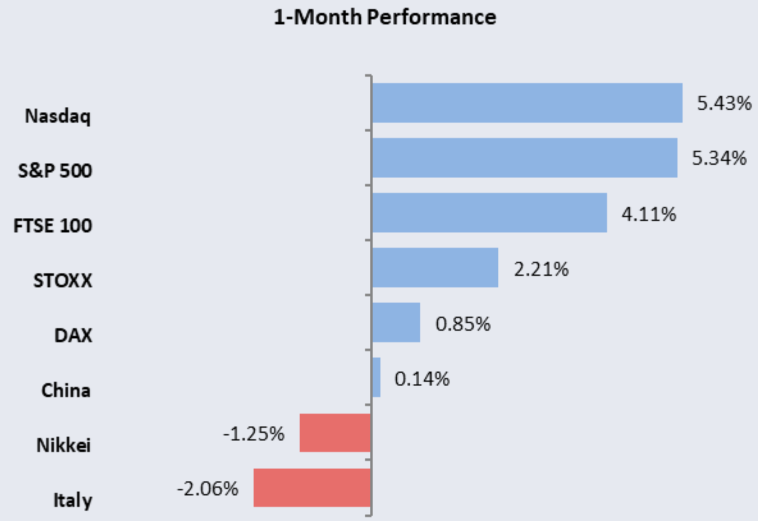

4/30/2021

Europe

Stock Index	Last	1-Month	3-Month	YTD	1-Year
STOXX	437	2.21%	11.43%	10.60%	31.44%
FTSE 100	6970	4.11%	10.15%	9.28%	22.15%
DAX	15136	0.85%	12.68%	10.33%	39.35%
CAC 40	6269	3.51%	16.42%	13.35%	39.45%
Portugal	5051	2.46%	5.34%	3.11%	17.89%
Italy	24141	-2.06%	11.91%	8.58%	36.46%
Ireland	8093	0.35%	15.67%	10.53%	45.88%
Greece	910	5.27%	21.51%	12.57%	48.49%
Spain	8815	3.01%	13.99%	9.80%	30.46%
Russia	3544	0.06%	8.15%	7.75%	33.71%

4/30/2021

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Supplemental Data - as of April 30, 2021

International

Stock Index	Last	1-Month	3-Month	YTD	1-Year
MSCI EAFE	2269	3.01%	7.74%	6.59%	39.88%
MSCI EM	1348	2.49%	1.71%	4.83%	48.71%
MSCI FM	609	6.84%	7.30%	7.70%	39.42%
MSCI FM100	1354	6.04%	6.38%	9.40%	42.90%

4/30/2021

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Important Disclosures

The Barclays U.S. Aggregate Index is a representative measure of the investment-grade domestic bond market.

The Barclays Credit Index is a representative measure of the U.S. credit market, which includes publicly issued-U.S. corporate and specified foreign debentures and secured notes that meet specific maturity, liquidity, and quality requirements.

The ISM Manufacturing & Non-Manufacturing Indices are calculated by Bloomberg by applying the real value added by the manufacturing industry by year to the manufacturing index and giving the remaining percent to the non-manufacturing index. The ISM Non-Manufacturing Index is also known as the ISM Services Index.

The Citi U.S. Inflation Surprise Index measures price surprises relative to market expectations. A positive reading means that inflation has been higher than expected, and a negative reading means that inflation has been lower than expected.

Investments cannot be made in an index.

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