

NYL Investors LLC

Fixed Income Investors

August 2019

NYL Investors LLC is a wholly owned subsidiary of New York Life Insurance Company.
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 August 31, 2019

- The month of August was notable for the escalation of tensions in the ongoing U.S.-China trade war as well as the historic interest rate rally that followed.
- President Trump announced an additional tariff of 10%, effective September 1st, on the remaining \$300 billion of goods and products coming into the U.S. from China. The Chinese administration responded by announcing tariffs of 5% to 10% on \$75 billion worth of U.S. goods.
- The unemployment rate ticked up to 3.7%, driven by an increase in the labor force participation rate.
- Average Hourly Earnings (YoY) printed at 3.2% marking the twelfth straight month that average hourly earnings grew at 3% or higher, the longest streak on record.
- The global manufacturing recession that has already engulfed Europe and parts of Asia drove ISM Manufacturing in the U.S. to contraction territory during the month, the lowest reading since January 2016.
- In August, interest rates moved considerably lower and the curve flattened, led by 30-year notes which moved 56 bps lower to close the month at 1.96%, the lowest monthly close in history.
- High Grade Credit was the worst performing sector in the Bloomberg Barclays U.S. Aggregate Index during the month, producing 92 bps of negative excess return.
- While Structured Products outperformed High Grade Credit during August, they suffered from the risk off tone fueled by escalating trade tensions, too.
- The ABS sector managed to squeeze out marginally positive excess returns of +15 bps, while MBS and CMBS returned -63 bps and -23 bps, respectively.
- Having been impacted by the negative effects of the U.S.- China trade war, the Bloomberg Barclays Credit index widened 11 bps during the month, closing at 114 bps.
- The Non-corporate and Financial sectors benefitted from a shift toward higher quality credit, and both outpaced the broader market by -18 bps and -63 bps, respectively.
- The Utility and Industrial sectors lagged the broader market as volatility impacted lower quality credit, returning -139 bps and -123 bps of excess returns, respectively.
- The new issue calendar was relatively active with \$92 billion in fixed rate supply and was easily absorbed with only a handful of deals pricing with higher new issue concessions despite the volatile secondary backdrop.

Source: Bloomberg, NYL Investors, Barclays – September 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 August 31, 2019

The month of August was notable for the escalation of tensions in the ongoing U.S.-China trade war as well as the historic interest rate rally that followed. President Trump announced an additional tariff of 10%, effective September 1st, on the remaining \$300 billion of goods and products coming into the U.S. from China. The Chinese administration responded by announcing tariffs of 5% to 10% on \$75 billion worth of U.S. goods. The tariffs will be implemented in two stages, effective on September 1st and December 15th. In recent days, the two sides have agreed to meet in early October to attempt to reignite the stalled trade talks. The escalation of tariffs combined with seasonally thin market liquidity drove volatility higher and interest rates significantly lower. The rate rally was most pronounced in the longer end of the curve, causing the 2Y/10Y Treasury curve to invert for the first time since 2007.



Source: Bloomberg, September 2019

Source: Bloomberg, NYL Investors, Barclays – September 2019.

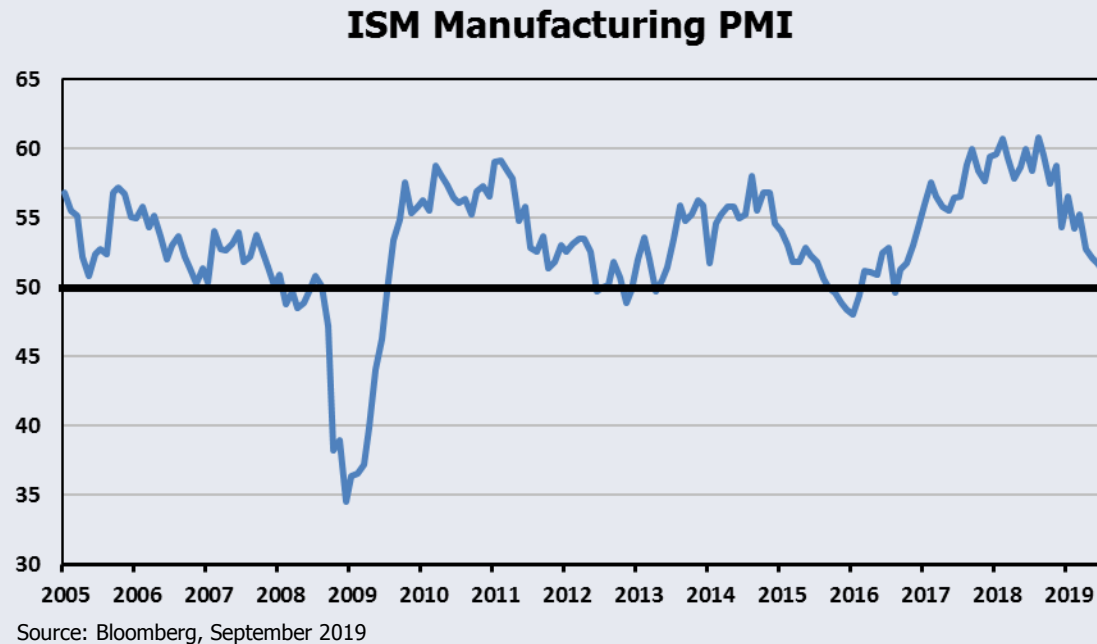
Past performance is not indicative of future results.

NYL Investors affiliates may develop and publish research that is independent of, and different than, the views expressed.

Fixed Income Investors

Market Review - as of August 31, 2019

During the month of July, the economy added 164k jobs versus a consensus estimate of 165k. The unemployment rate ticked up to 3.7%, driven by an increase in the labor force participation rate. Average Hourly Earnings (YoY) printed at 3.2% marking the twelfth straight month that average hourly earnings grew at 3% or higher, the longest streak on record. Other areas of the economy have struggled as the trade war between the U.S. and China continues with no end in sight. The global manufacturing recession that has already engulfed Europe and parts of Asia drove ISM Manufacturing in the U.S. to contraction territory during the month of August, the lowest reading since January 2016.



Source: Bloomberg, NYL Investors, Barclays – September 2019.

Past performance is not indicative of future results.

NYL Investors affiliates may develop and publish research that is independent of, and different than, the views expressed.

Fixed Income Investors

Market Review - as of August 31, 2019

During the month of August, interest rates moved considerably lower and the curve flattened, led by 30-year notes which moved 56 bps lower to close the month at 1.96%, the lowest monthly close in history. High Grade Credit was the worst performing sector in the Bloomberg Barclays U.S. Aggregate Index during the month, producing 92 bps of negative excess return. Within securitized products, ABS produced 15 bps of excess return, outperforming both CMBS and MBS.

High Grade Credit could not escape the negative effects from the re-escalation of the U.S.-China trade war. The Bloomberg Barclays Credit index widened 11 bps during the month, closing at 114 bps. The Non-corporate and Financial sectors benefitted from a shift toward higher quality credit and both outpaced the broader market by -18 bps and -63 bps, respectively. The Utility and Industrial sectors lagged the broader market as volatility impacted lower quality credit, with each sector returning -139 bps and -123 bps of excess returns. This marks just the second month of negative excess returns for corporate credit in 2019, bringing the year-to-date total to 336 bps of excess returns. Despite the heightened volatility, the asset class continues to experience strong inflows focused in the short and intermediate part of the curve. This dynamic continues to support the technical backdrop, acting as a buffer for further spread widening this month.

US Fixed Income Excess Returns

Index	1-Month	3-Month	YTD	1-Year
Credit Aaa	-0.17%	0.24%	0.69%	0.54%
Credit Aa	-0.59%	0.53%	1.79%	0.86%
Credit A	-0.88%	0.89%	2.89%	0.74%
Credit Baa	-1.15%	1.32%	4.60%	1.47%
Finance	-0.63%	1.00%	3.67%	1.70%
Industrial	-1.23%	1.14%	3.77%	0.95%
Utility	-1.39%	0.90%	2.14%	-0.76%
Supranational	0.03%	0.11%	0.41%	0.51%
Sovereign	-0.45%	2.45%	5.03%	2.99%

8/31/2019

Source: Bloomberg, NYL Investors, Barclays – September 2019.

Past performance is not indicative of future results.

NYL Investors affiliates may develop and publish research that is independent of, and different than, the views expressed.

Fixed Income Investors

Market Review - as of August 31, 2019

The new issue calendar was relatively active with \$92 billion in fixed rate supply. Despite the volatile secondary backdrop, the calendar was easily absorbed with only a handful of deals pricing with higher new issue concessions. The dramatic decline in rates brought forth some opportunistic issuance as companies looked to pre-fund maturities and enact liability management trades. Industrial issuers continue to dominate supply volumes as the Financial sector has underwhelmed market expectations.

Credit curves steepened and lower quality issuers underperformed as volatility increased. Investor demand for short duration credit remains strong, as the flat yield curve leaves little incentive to extend duration. We believe that credit investors will be keenly focused on any signs of improved trade relations as well as central bank meetings in September.

While Structured Products outperformed High Grade Credit during August, they suffered from the risk off tone fueled by escalating trade tensions, too. The ABS sector managed to squeeze out marginally positive excess returns of +15 bps, while MBS and CMBS returned -63 bps and -23 bps, respectively. Within ABS, credit cards (+18 bps) outperformed autos (+12 bps) as the sector benefited from flight to quality flows coupled with demand for assets in the very front end of the curve where negative carry and roll is least severe.

US Fixed Income Excess Returns

Index	1-Month	3-Month	YTD	1-Year
Agg	-0.44%	0.26%	0.93%	0.13%
Agency	0.13%	0.15%	0.46%	0.38%
Credit	-0.92%	1.00%	3.37%	1.09%
MBS	-0.63%	-0.18%	-0.33%	-0.77%
ABS	0.15%	0.10%	0.77%	0.72%
CMBS	-0.23%	0.14%	1.74%	0.88%
USD EM	-2.87%	-0.03%	2.39%	1.69%

8/31/2019

Source: Bloomberg, NYL Investors, Barclays – September 2019.

MBS – Mortgage-Backed Securities

CMBS – Commercial Mortgage-Backed Securities

ABS – Asset-Backed Securities

Past performance is not indicative of future results.

NYL Investors affiliates may develop and publish research that is independent of, and different than, the views expressed.

Fixed Income Investors

Market Review - as of August 31, 2019

As in prior months, the MBS sector's underperformance (-63 bps of excess returns) continues to be driven by convexity-related concerns as rates rallied and we reached multi-year highs on the refi index. UMBS 3.5's closed a mere 8/32nds higher in price at \$102-24 on 8/30 despite the 2yr note rallying over 35 bps. The GNMA sector generated excess returns of -55 bps, outperforming conventionals by about 12 bps on the back of a more constructive July prepay report and speed outlook for the GNMA space. At the beginning of the month, the Federal Housing Administration (FHA) announced that high LTV cash-out refinance loans will be ineligible to be pooled into TBA deliverable MBS, effective September 1st for FHA loans and November 1st for VA loans. In the conventional space, the 15yr sector outperformed 30yrs by about 15 bps, returning -51 bps. Investors gravitated to the shorter WAM space in hopes of more favorable prepaids, as the high loan size and GWAC pool attributes that plague the 30yr space are not as prevalent.

A lighter issuance calendar supported the CMBS sector in the wake of the risk off move, which generated excess returns of -23 bps. Unsurprisingly, shorter spread duration sectors (1-3.5yr/3.5-6yr) outperformed longer WAL bonds (6-8.5yr/8.5+yr) into the widening that took place over the course of the month. Interestingly, the Baa subcomponent managed to generate positive excess returns of 41 bps. This was likely a function of the universe of index eligible Baa bonds continuing to shrink as a percentage of the overall Baa CMBS market and investors searching for higher yielding 3-5yr spread duration assets within Investment Grade fixed income.

Source: Bloomberg, NYL Investors, Barclays – September 2019.

MBS – Mortgage-Backed Securities

CMBS – Commercial Mortgage-Backed Securities











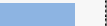




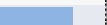





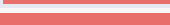
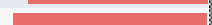
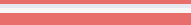
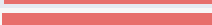





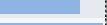
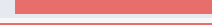
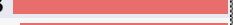
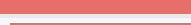
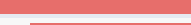
Past performance is not indicative of future results.

NYL Investors affiliates may develop and publish research that is independent of, and different than, the views expressed.


















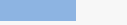
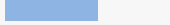
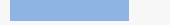
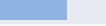

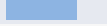
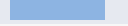
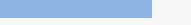
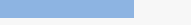
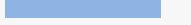
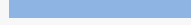

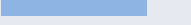
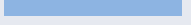
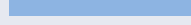
Fixed Income Investors

Supplemental Data - as of August 31, 2019

US Treasury Yields

Term	8/31/2019	Change vs. 1 Month Ago	Change vs. 3 Months Ago	Change YTD	Change vs. 1 Year Ago
1Y	1.76% 	-22 	-44 	-83 	-68 
2Y	1.50% 	-37 	-42 	-98 	-112 
3Y	1.43% 	-40 	-45 	-103 	-126 
5Y	1.39% 	-44 	-52 	-112 	-135 
7Y	1.45% 	-46 	-57 	-114 	-136 
10Y	1.50% 	-52 	-63 	-119 	-136 
30Y	1.96% 	-56 	-61 	-105 	-106 
2s10s	-1	-15	-21	-20	-24
10s30s	47	-4	2	14	31

US Fixed Income Total Returns

Index	1-Month	3-Month	YTD	1-Year
Agg	2.59% 	4.11% 	9.10% 	10.17% 
Treasury	3.40% 	4.23% 	8.63% 	10.38% 
Agency	2.20% 	2.93% 	6.47% 	8.03% 
Credit	3.13% 	6.00% 	13.35% 	12.99% 
MBS	0.89% 	2.03% 	5.53% 	7.06% 
ABS	1.09% 	1.50% 	4.28% 	5.54% 
CMBS	2.38% 	3.61% 	9.38% 	10.72% 
USD EM	0.25% 	3.99% 	10.75% 	12.02% 

8/31/2019

Source: Bloomberg, NYL Investors, Barclays – September 2019.
Past performance is not indicative of future results.

Fixed Income Investors

Supplemental Data - as of August 31, 2019

US Fixed Income Total Returns

Index	1-Month		3-Month		YTD		1-Year	
Credit Aaa	2.35%		3.46%		7.48%		9.01%	
Credit Aa	3.27%		5.27%		11.17%		12.04%	
Credit A	3.31%		6.05%		13.13%		12.91%	
Credit Baa	3.09%		6.57%		15.10%		13.94%	
Finance	2.48%		4.96%		11.86%		11.78%	
Industrial	3.33%		6.74%		14.83%		13.96%	
Utility	4.53%		8.01%		15.84%		14.98%	
Supranational	1.55%		2.21%		5.29%		7.02%	
Sovereign	4.63%		8.66%		17.24%		17.22%	

8/31/2019

US Fixed Income Spreads












































Index	8/31/2019	Change vs. 1 Month Ago	Change vs. 3 Months Ago	Change YTD	Change vs. 1 Year Ago
Agg	48	6	-1	-6	6
Agency	10	-3	-2	-6	-3
Credit	114	11	-6	-29	6
MBS	47	9	3	12	18
ABS	34	-5	2	-19	-8
CMBS	70	6	3	-16	6
USD EM	335	57	19	-8	17

Source: Bloomberg, NYL Investors, Barclays – September 2019.
Past performance is not indicative of future results.
























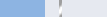








Fixed Income Investors

Supplemental Data - as of August 31, 2019

US Fixed Income Spreads

Index	8/31/2019	Change vs. 1 Month Ago	Change vs. 3 Months Ago	Change YTD	Change vs. 1 Year Ago
Credit Aaa	19 	2 	-1 	-7 	-5 
Credit Aa	63 	6 	-5 	-18 	-1 
Credit A	91 	9 	-7 	-27 	-1 
Credit Baa	158 	15 	-8 	-39 	11 
Finance	107 	10 	-9 	-40 	-1 
Industrial	128 	14 	-8 	-29 	11 
Utility	116 	12 	-6 	-28 	4 
Supranational	7	0	-1 	-6 	-8 
Sovereign	122 	7 	-20 	-39 	-12 

Global Equity Returns

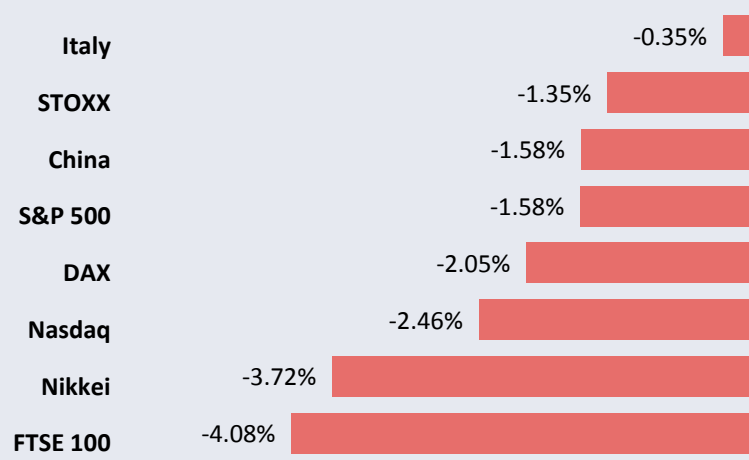
Stock Index	8/31/2019	1-Month	3-Month	YTD	1-Year
S&P 500	2926	-1.58% 	6.87% 	18.34% 	2.92% 
Nasdaq	7963	-2.46% 	7.12% 	20.89% 	-0.72% 
STOXX	379	-1.35% 	3.38% 	15.25% 	2.25% 
FTSE 100	7207	-4.08% 	1.96% 	10.96% 	1.45% 
DAX	11939	-2.05% 	1.81% 	13.07% 	-3.44% 
Italy	21323	-0.35% 	7.68% 	16.37% 	5.20% 
Nikkei	20704	-3.72% 	0.82% 	4.70% 	-7.49% 
China	2886	-1.58% 	-0.43% 	15.73% 	5.91% 

Source: Bloomberg, NYL Investors, Barclays – September 2019.
Past performance is not indicative of future results.

Fixed Income Investors

Supplemental Data - as of August 31, 2019

1-Month Performance



8/31/2019

Europe

Stock Index	Last	1-Month	3-Month	YTD	1-Year
STOXX	379	-1.35%	3.38%	15.25%	2.25%
FTSE 100	7207	-4.08%	1.96%	10.96%	1.45%
DAX	11939	-2.05%	1.81%	13.07%	-3.44%
CAC 40	5480	-0.69%	5.62%	18.23%	3.83%
Portugal	4888	-2.46%	-3.10%	3.30%	-9.87%
Italy	21323	-0.35%	7.68%	16.37%	5.20%
Ireland	5879	-3.74%	-3.22%	8.98%	-11.50%
Greece	868	-3.44%	7.16%	45.26%	22.56%
Spain	8813	-1.76%	-1.14%	5.63%	-3.10%
Russia	2740	0.02%	2.80%	16.18%	16.80%

8/31/2019

Source: Bloomberg, NYL Investors, Barclays – September 2019.










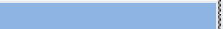
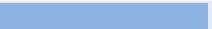
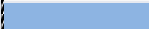
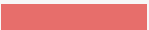
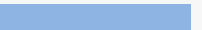
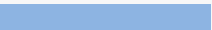
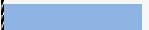
Last represents month-end close of business for August.

Past performance is not indicative of future results.

Fixed Income Investors

Supplemental Data - as of August 31, 2019

International

Stock Index	Last	1-Month	3-Month	YTD	1-Year
MSCI EAFE	1843	-2.59% 	1.88% 	9.66% 	-3.26% 
MSCI EM	984	-4.88% 	-0.17% 	3.92% 	-4.36% 
MSCI FM	563	-1.59% 	3.19% 	12.86% 	7.92% 
MSCI FM100	1238	-3.21% 	2.82% 	13.08% 	7.44% 

8/31/2019

Source: Bloomberg, NYL Investors, Barclays – September 2019.
 Last represents month-end close of business for August.
 Past performance is not indicative of future results.

Fixed Income Investors

Important Disclosures

Opinions expressed are current opinions as of the date appearing in this material only. No part of this material may be i) copied, photocopied or duplicated in any form, by any means, or ii) redistributed without NYL Investors' prior consent.

The information presented herein is current only as of the date hereof, and is subject to change without notice as market and economic conditions change. Any forward-looking statements are based on a number of assumptions concerning future events and although we believe that the sources used are reliable, the information contained in these materials has not been independently verified and its accuracy is not guaranteed. In addition, there is no guarantee that market expectations will be achieved.

References to market indices, benchmarks or other measures of relative market performance over a specified period of time are provided for information purposes and do not imply that a managed account will achieve returns, volatility or other results similar to an index. The charts and graphs provided herein are for illustrative purposes only to assist readers in understanding economic trends and conditions but must not be used, or relied upon, to make investment decisions.

Historical returns are provided for illustrative and informational purposes only and the value of investments may fluctuate. Past performance is not indicative of future results. The performance tables and related charts contained herein do not reflect the deduction of investment management fees. The investment advisory fees and any other expenses a client may incur in the management of its account will reduce a client's return. Indexes are unmanaged and cannot be invested in directly.

Fixed Income Investors is an investment group within NYL Investors LLC. NYL Investors LLC is a direct wholly-owned subsidiary of New York Life Insurance Company.
1829738