

NYL Investors LLC

Fixed Income Investors

August 2020

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Fixed Income Investors

Summary - as of August 31, 2020

- The month of August began on the heels of the expiration of the CARES act benefits. Most Economists agree that fiscal accommodation in some form is still needed as the COVID-19 virus continues to shut down many aspects of the economy.
- The federal government has agreed to provide \$300 per week in enhanced unemployment benefits with an option for the state to provide an additional \$100 per week.
- Each state has until September 10th to apply to the Lost Wages Assistance (LWA) program for their residents to be eligible for the enhanced unemployment benefits and option.
- The unemployment rate dropped to 8.4% from 10.2% in August while labor force participation came in on consensus at 61.7%.
- The ISM Manufacturing Index came in at 56.0 for the month of August, above the consensus estimate of 54.8 driven by the new orders sub-component.
- The ISM Service Index printed at 56.9 for the month of August, slightly below the 57.0 consensus estimate, driven by new orders and activity while employment continued to lag.
- In late August, Chair Powell announced the adoption of a new framework which “seeks inflation that averages 2% over time.”
- The Federal Reserve (“the Fed”) believes raising inflation expectations will drive actual inflation higher, allowing them to achieve their 2% average inflation goal.
- Core PCE Deflator (YoY) came in at 1.3% during the month of July, the 18th straight month inflation has come in below 2%.
- The Bloomberg Barclays Credit Index tightened just 4 bps, culminating in a very modest 10 bps of excess return.
- The Non-corporate and Financial sectors outpaced the broader market with 38 bps and 28 bps of excess return, respectively, while the Industrial and Utility sectors lagged with 5 bps and -75 bps, respectively.
- The new issue calendar was extremely active with gross volumes surpassing \$140 billion making this August the most active on record and certainly an upside surprise versus expectations.
- MBS spreads mirrored the rangebound nature of U.S. Credit, ultimately tightening just 2 bps in option-adjusted spread (OAS) at the Bloomberg Barclays U.S. Aggregate Index level and producing excess returns of 9 bps.
- The relative outperformance of ABS (30 bps excess return) and CMBS (56 bps excess return) was a continuation of extremely favorable supply-demand dynamics while spreads remained wide relative to pre-COVID levels.

Source: Bloomberg, NYL Investors, Barclays – September 2020.

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, 2020

The month of August began on the heels of the expiration of the CARES act benefits. Most economists agree the legislation was instrumental in helping the economy recover after the worst downturn since the Great Depression. Economists also agree that fiscal accommodation in some form is still needed as the COVID-19 virus continues to shut down many aspects of the economy. On July 31st, enhanced unemployment benefits of \$600 per week expired along with federal protections on evictions. Since then, Democrats and Republicans in Congress have sparred over how best to provide accommodation moving forward. Republicans in Congress believe the \$600 in additional unemployment benefits is a disincentive for lower income employees to go back to work. On the other hand, Democrats continue to tout the economic benefits of the additional discretionary spending. With no agreement in sight, the President signed a series of executive orders in the first half of August extending certain consumer benefits. Most notably, the federal government will provide \$300 per week in enhanced unemployment benefits with an option for the state to provide an additional \$100 per week. Each state has until September 10th to apply to the Lost Wages Assistance (LWA) program for their residents to be eligible. While the executive orders will provide consumers with some sense of relief, they are in no way a suitable replacement for comprehensive bipartisan legislation. Without additional legislation from Congress, the economy will most likely fall back into recession.

During the month of August, the economy added 1.37 million jobs, slightly above the 1.35 million that was expected. The unemployment rate dropped to 8.4% from 10.2% while labor force participation came in on consensus at 61.7%. For the second month in a row, average hourly earnings surprised to the upside, increasing 0.4% (MoM) versus the 0.0% consensus view. The ISM Manufacturing Index came in at 56.0 for the month of August, above the consensus estimate of 54.8. The better-than-expected reading signals expansion in the manufacturing sector and was driven by the new orders sub-component. The employment component of the Manufacturing Index remains in contractionary territory, coming in at 46.4 for the month of August. The ISM Service Index printed at 56.9 for the month of August, slightly below the 57.0 consensus estimate. Similar to the Manufacturing Index, services for August were driven by new orders and activity while employment continued to lag.

Source: Bloomberg, NYL Investors, Barclays – September 2020.

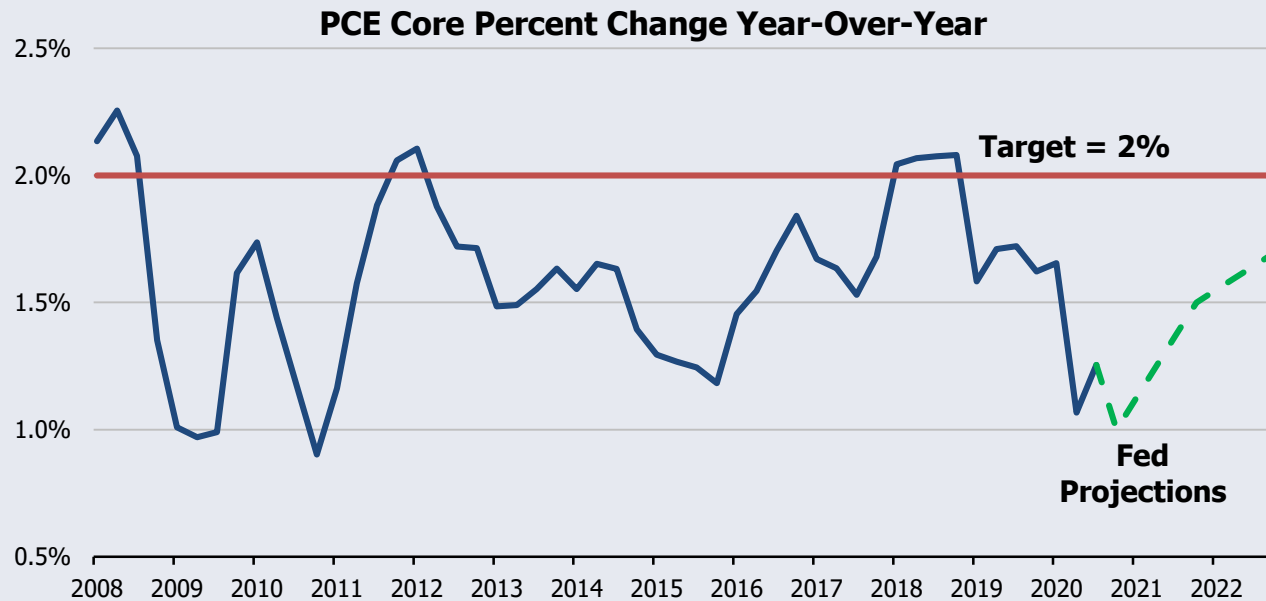
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Fixed Income Investors

Market Review - as of August 31, 2020

The Federal Reserve (“the Fed”) did not hold a monetary policy meeting during the month of August and reconvened on September 15th-16th. Even without a scheduled meeting, the Fed still made an impact on financial markets during the month of August. Chair Powell used his speech at the Jackson Hole economic symposium in late August to announce the adoption of a new framework which “seeks inflation that averages 2% over time.” Essentially, this new policy will allow inflation to run above 2% for a longer period to make up for prior periods when inflation was persistently below 2%. The Fed believes raising inflation expectations will drive actual inflation higher, allowing them to achieve their 2% average inflation goal. Core PCE Deflator (YoY) came in at 1.3% during the month of July, the 18th straight month inflation has come in below 2%.



Source: Bloomberg, August 2020; Projection from the FOMC Forecast, June 2020

Source: Bloomberg, NYL Investors, Barclays – September 2020.

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Market Review - as of August 31, 2020

During the month of August, the interest rate curve steepened, led by the long end. The two-year part of the curve moved 3 bps higher while the thirty-year part of the curve moved 28 bps higher. CMBS was the best performing sector in the Bloomberg Barclays U.S. Aggregate Index during the month. High Grade Credit slightly outperformed MBS while underperforming the ABS sector.

High Grade Credit spreads were rangebound during August as the Bloomberg Barclays Credit Index tightened just 4 bps, culminating in a very modest 10 bps of excess return. The Non-corporate and Financial sectors outpaced the broader market with 38 bps and 28 bps of excess return, respectively, while the Industrial and Utility sectors lagged with 5 bps and -75 bps, respectively. Market dynamics were stable during August with many of the same themes carrying over from July. The technical backdrop remains supportive of credit spreads as the Fed's corporate credit purchase programs are still open, fund inflows for the asset class remain elevated, and dealer balance sheets are still relatively light. The new issue calendar acted as a counterbalance to these strong technical aspects but not enough to put upward pressure on spreads. Fundamentals have stabilized across numerous industries, albeit at lower levels to previous years, but certainly better than what most market participants had feared in the first quarter. The improvement in transmission rates for the virus has resulted in a rebound for sentiment, and better-than-expected economic readings have given some sectors hope for a quicker rebound on both top- and bottom-line results in future quarters.

US Fixed Income Excess Returns

Index	1-Month	3-Month	YTD	1-Year
Credit Aaa	0.00%	0.46%	-0.82%	-0.33%
Credit Aa	-0.08%	2.01%	-2.29%	-0.87%
Credit A	-0.15%	2.98%	-2.34%	0.07%
Credit Baa	0.36%	4.86%	-5.05%	-1.24%
Finance	0.28%	4.00%	-1.68%	0.84%
Industrial	0.05%	3.64%	-4.41%	-0.96%
Utility	-0.75%	3.51%	-3.87%	-1.21%
Supranational	0.05%	0.22%	-0.09%	-0.11%
Sovereign	1.05%	5.06%	-4.64%	-1.94%

8/31/2020

Source: Bloomberg, NYL Investors, Barclays – September 2020.

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Market Review - as of August 31, 2020

Although August is a seasonally lighter month for corporate supply, the new issue calendar was extremely active. Gross volumes surpassed \$140 billion making this August the most active on record and certainly an upside surprise versus expectations. Industrial issuers comprised more than 50% of the supply yet again, a theme which has been prevalent since issuance exploded in the first quarter. Corporations are taking advantage of market conditions to bring new debt further out the maturity spectrum and using the proceeds to actively retire shorter-dated maturities. With year-to-date supply currently at \$1.4 trillion, 2020's pace is now 83% higher than 2019. The calendar was easily digested as inflows into the asset class have accounted for much of the demand for the heightened supply. New issue concessions remain extremely narrow versus secondary trading levels and resulted in lackluster performance post deal pricing. It is possible some issuance was pulled forward from September, but expectations remain elevated for supply with the range between \$125 - \$150 billion. Performance dispersion across credit quality was more muted during August, but BBB issuers still managed to outperform their higher quality counterparts. Credit curves steepened during the period as short and intermediate duration paper outperformed the back end of the curve. Thirty-year paper continues to experience headwinds due to the low level of all-in yields and elevated levels of industrial supply in the back end of the curve.

Within Securitized Products, MBS spreads mirrored the rangebound nature of U.S. Credit during the month of August, ultimately tightening just 2 bps in option-adjusted spread (OAS) at the Bloomberg Barclays U.S. Aggregate Index level and producing excess returns of 9 bps. After reaching 12 bps tighter by the middle of the month, heavy supply coupled with a drop-off in bank demand resulted in spreads finishing nearly unchanged. Gross origination registered at nearly \$200 billion in the month of August versus a monthly average of about \$175 billion from April onwards. Additionally, bank deposit growth finally slowed from its five times above average record pace. Some of this increase in issuance can be attributed to originators pulling forward pooling on the Government-Sponsored Enterprise (GSE) announcement of 50 bps loan-level pricing adjustment (LLPA) charge on all refinance loans starting September 1st (now delayed to December 1st). With uncertainty regarding model valuations extremely high, an elevated MBS supply picture (Q3 expected to be 25% higher than Q2's record \$745 billion gross issuance), and nominally high prepayments showing no signs of burnout, the forward demand picture will continue to be dominated by banks given their limited investment options and high cash balances.

Source: Bloomberg, NYL Investors, Barclays – September 2020.

MBS – Mortgage-Backed Securities

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
























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The relative outperformance of ABS (30 bps excess return) and CMBS (56 bps excess return) in the month of August was a continuation of extremely favorable supply-demand dynamics while spreads remained wide relative to pre-COVID levels. In ABS, with year-to-date issuance at \$127 billion, issuance is down over 23% versus the same period in 2019. In CMBS, private label issuance stands at just \$41 billion year-to-date, down 33% versus equivalent 2019 volumes. Meanwhile, the OAS on the ABS sub-component of the Bloomberg Barclays U.S. Aggregate Index began the month at 60 bps, 23 bps higher than the February 28th close. In the case of CMBS, the OAS at the Index level began August at 120 bps, 43 bps wider than the February 28th close. The ABS and CMBS Index sub-components tightened 14 bps and 9 bps, respectively, over the course of the month. The fact that CMBS carries more than double the spread duration of ABS in a tightly bound interest rate environment drove relative outperformance during the month. As investors continue to embrace the likelihood of a multi-year sub-1% ten-year note and remain at the mercy of the forceful hand of the Fed, they are likely to chase the optically wide spreads of Securitized Credit relative to pre-COVID levels.

US Fixed Income Excess Returns

Index	1-Month	3-Month	YTD	1-Year
Agg	0.07% 	1.17% 	-1.00% 	0.08% 
Agency	0.08% 	0.18% 	-0.55% 	-0.47% 
Credit	0.10% 	3.54% 	-3.49% 	-0.67% 
MBS	0.09% 	-0.06% 	-0.38% 	0.52% 
ABS	0.30% 	1.59% 	0.58% 	0.53% 
CMBS	0.56% 	2.74% 	-1.38% 	-1.28% 
USD EM	1.47% 	6.22% 	-5.36% 	-1.52% 

8/31/2020

Source: Bloomberg, NYL Investors, Barclays – September 2020.

CMBS – Commercial Mortgage-Backed Securities

ABS – Asset-Backed Securities




































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



























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Supplemental Data - as of August 31, 2020

US Treasury Yields

Term	8/31/2020	Change vs. 1 Month Ago	Change vs. 3 Months Ago	Change YTD	Change vs. 1 Year Ago
1Y	0.11% 	1 	-5 	-145 	-165 
2Y	0.13% 	3 	-3 	-144 	-137 
3Y	0.15% 	3 	-5 	-146 	-128 
5Y	0.27% 	6 	-4 	-142 	-112 
7Y	0.49% 	11 	-1 	-134 	-96 
10Y	0.70% 	18 	5 	-121 	-79 
30Y	1.47% 	28 	7 	-91 	-49 
2s10s	57	15	8	23	58
10s30s	77	11	2	30	30

US Fixed Income Total Returns

Index	1-Month	3-Month	YTD	1-Year
Agg	-0.81% 	1.31% 	6.85% 	6.47% 
Treasury	-1.10% 	0.13% 	8.75% 	6.98% 
Agency	-0.27% 	0.35% 	5.23% 	4.65% 
Credit	-1.27% 	3.64% 	6.68% 	7.10% 
MBS	0.04% 	0.13% 	3.73% 	4.54% 
ABS	0.25% 	1.74% 	4.01% 	4.26% 
CMBS	0.14% 	3.00% 	6.62% 	5.55% 
USD EM	0.54% 	6.26% 	3.24% 	5.44% 































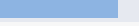
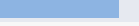

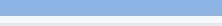
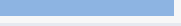
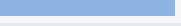
8/31/2020

Source: Bloomberg, NYL Investors, Barclays – September 2020.
Past performance is not indicative of future results.

Fixed Income Investors














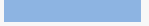




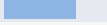











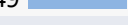
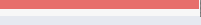
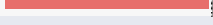
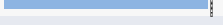

Supplemental Data - as of August 31, 2020

US Fixed Income Total Returns

Index	1-Month	3-Month	YTD	1-Year
Credit Aaa	-0.68% 	0.65% 	6.17% 	5.61% 
Credit Aa	-1.62% 	2.09% 	7.67% 	6.81% 
Credit A	-1.58% 	3.07% 	8.04% 	7.92% 
Credit Baa	-1.03% 	4.96% 	5.55% 	6.79% 
Finance	-0.60% 	4.17% 	6.80% 	7.73% 
Industrial	-1.56% 	3.70% 	6.70% 	7.30% 
Utility	-2.87% 	3.52% 	9.61% 	8.23% 
Supranational	-0.13% 	0.46% 	5.03% 	4.82% 
Sovereign	-0.77% 	5.07% 	7.48% 	6.85% 

8/31/2020

US Fixed Income Spreads




























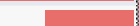
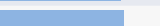




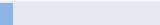







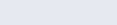
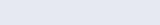
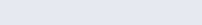

Index	8/31/2020	Change vs. 1 Month Ago	Change vs. 3 Months Ago	Change YTD	Change vs. 1 Year Ago
Agg	57 	-3 	-19 	18 	9 
Agency	17 	-5 	-6 	7 	7 
Credit	122 	-4 	-42 	32 	8 
MBS	56 	-2 	-17 	17 	9 
ABS	46 	-14 	-65 	2 	12 
CMBS	111 	-9 	-47 	39 	41 
USD EM	349 	-27 	-99 	48 	14 

Source: Bloomberg, NYL Investors, Barclays – September 2020.
Past performance is not indicative of future results.

























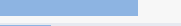




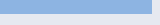


Fixed Income Investors

Supplemental Data - as of August 31, 2020

US Fixed Income Spreads

Index	8/31/2020	Change vs. 1 Month Ago	Change vs. 3 Months Ago	Change YTD	Change vs. 1 Year Ago
Credit Aaa	26 	0 	-6 	9 	7 
Credit Aa	77 	-2 	-19 	25 	14 
Credit A	97 	-1 	-34 	27 	6 
Credit Baa	169 	-7 	-61 	44 	11 
Finance	117 	-5 	-57 	37 	10 
Industrial	135 	-3 	-41 	36 	7 
Utility	134 	4 	-27 	37 	18 
Supranational	14 	-1 	-5 	6 	7 
Sovereign	160 	-9 	-46 	56 	38 

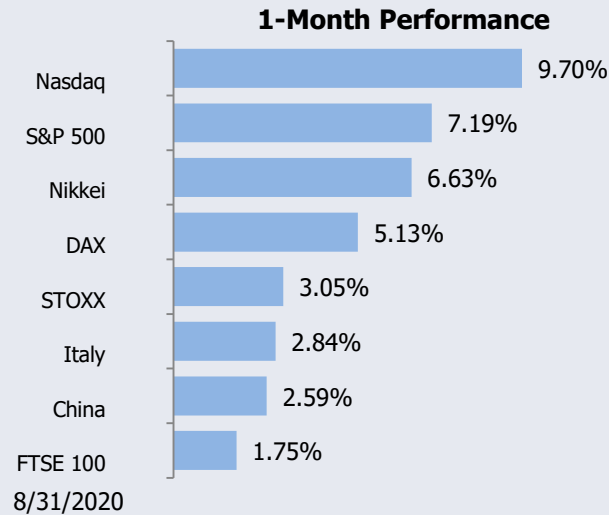
Global Equity Returns

Stock Index	8/31/2020	1-Month	3-Month	YTD	1-Year
S&P 500	3500	7.19% 	15.48% 	9.74% 	21.94% 
Nasdaq	11775	9.70% 	24.34% 	32.07% 	49.33% 
STOXX	367	3.05% 	5.19% 	-10.30% 	-1.29% 
FTSE 100	5964	1.75% 	-0.90% 	-18.96% 	-14.32% 
DAX	12945	5.13% 	11.72% 	-2.29% 	8.43% 
Italy	19634	2.84% 	7.89% 	-16.48% 	-7.92% 
Nikkei	23140	6.63% 	5.94% 	-1.04% 	14.11% 
China	3396	2.59% 	19.05% 	11.33% 	17.65% 

Source: Bloomberg, NYL Investors, Barclays – September 2020.
Past performance is not indicative of future results.

Fixed Income Investors

Supplemental Data - as of August 31, 2020



Europe

Stock Index	Last	1-Month	3-Month	YTD	1-Year
STOXX	367	3.05%	5.19%	-10.30%	-1.29%
FTSE 100	5964	1.75%	-0.90%	-18.96%	-14.32%
DAX	12945	5.13%	11.72%	-2.29%	8.43%
CAC 40	4947	3.42%	5.97%	-16.08%	-8.26%
Portugal	4301	0.12%	-0.68%	-17.51%	-12.00%
Italy	19634	2.84%	7.89%	-16.48%	-7.92%
Ireland	6434	5.73%	9.54%	-9.32%	11.19%
Greece	634	2.78%	-0.74%	-28.84%	-24.73%
Spain	6970	1.34%	-0.68%	-25.60%	-18.54%
Russia	2966	1.88%	8.46%	-2.62%	8.25%

8/31/2020

International

Stock Index	Last	1-Month	3-Month	YTD	1-Year
MSCI EAFE	1910	5.14%	11.26%	-4.61%	6.13%
MSCI EM	1102	2.21%	19.53%	0.45%	14.49%
MSCI FM	512	8.24%	9.30%	-9.46%	-5.34%
MSCI FM100	1119	8.87%	10.52%	-9.81%	-5.21%

8/31/2020

Source: Bloomberg, NYL Investors, Barclays – September 2020.
 Last represents month-end close of business for August.
 Past performance is not indicative of future results.

Fixed Income Investors

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.

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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.
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