

# NYL Investors LLC

## Fixed Income Investors

February 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.

# Fixed Income Investors

## Summary - as of February 28, 2019

- The month of February started off well for risky assets with the release of the January jobs report.
- Nonfarm payrolls added 304,000 jobs versus a consensus estimate of 165,000.
- Average hourly earnings (YoY%) rose 3.2%, marking the sixth straight month in which earnings have risen at least 3%.
- Outside of the labor market, weakening U.S. economic data remains a concern for investors.
- The minutes of the January Federal Reserve meeting reinforced their willingness to stay patient and data dependent when it comes to raising interest rates.
- Most investors expect an announcement on the balance sheet to come at the FOMC's next meeting on March 19<sup>th</sup> – 20<sup>th</sup>.
- The CMBS sector was the best performing sector in the Bloomberg Barclays U.S. Aggregate Index, producing 63 bps of excess return.
- The Credit sector produced 57 bps of excess return, outperforming both the MBS and ABS sectors.
- High Grade credit continued to tighten during the month, albeit at a more modest pace than January's rally.
- The Bloomberg Barclays Credit Index tightened 8 bps to close the month at 114 bps, essentially recouping all the losses experienced in November and December.
- Performance across sectors was consistent, as the Utility and Industrial sectors outpaced the broader market, returning 88 bps and 58 bps, respectively.
- The Financial and Non-corporate sectors generated 55 bps and 46 bps, respectively.
- The optimistic tone in February enticed issuers to access the new issue market, bringing slightly more than \$115 billion in fixed rate supply.
- Structured Products continue to perform well in the current low volatility environment. Excess returns for agency CMBS, ABS, and MBS were 63 bps, 22 bps, and 6 bps, respectively.

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

Past performance is not indicative of future results.

MBS – Mortgage-Backed Securities

CMBS – Commercial Mortgage-Backed Securities

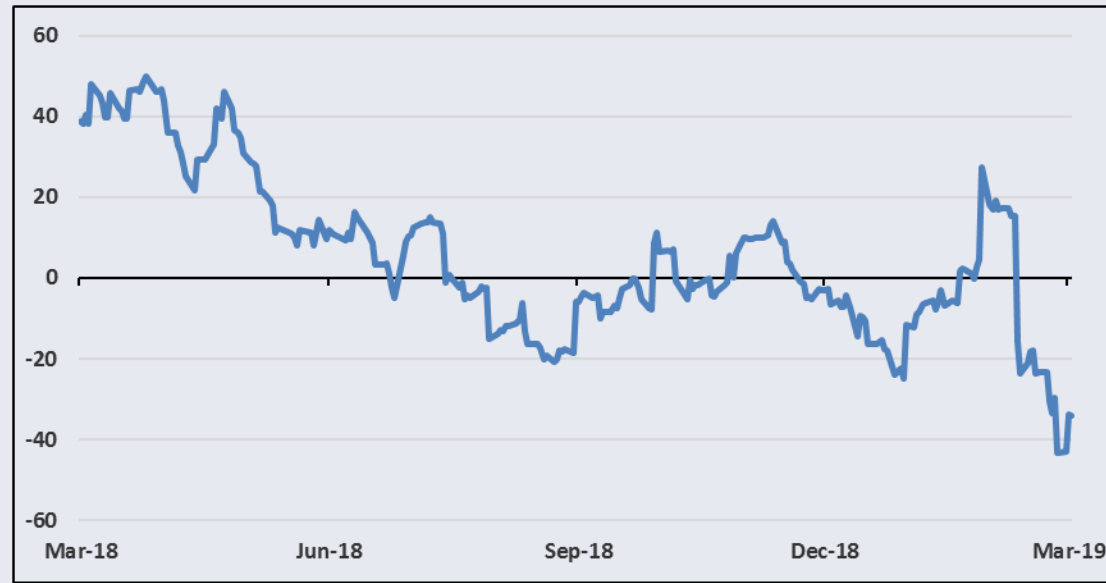
ABS – Asset-Backed Securities

# Fixed Income Investors

## Market Review - as of February 28, 2019

The month of February started off well for risky assets with the release of the January jobs report. Nonfarm payrolls added 304,000 jobs versus a consensus estimate of 165,000. The prior month's number was revised down from 312,000 to a still very respectable 222,000 jobs added. Average hourly earnings (YoY%) rose 3.2%, marking the sixth straight month in which earnings have risen at least 3%. The last time earnings had a run of 3% plus growth for sixth straight months was during the second half of 2008. Outside of the labor market, weakening U.S. economic data remains a concern for investors. Below-consensus readings in retail sales and durable goods deepened the pronounced drop in various economic surprise indices.

Citi Economic Surprise – United States



Source: Bloomberg, March 2019

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

## Market Review - as of February 28, 2019

Toward the end of the month, the Federal Reserve released the minutes of their January 30th meeting. As expected, the minutes reinforced the Fed's willingness to stay patient and data dependent when it comes to raising interest rates. The minutes also confirmed that "almost all participants" view a 2019 end to their balance sheet tapering as the most desirable option. Most investors now expect an announcement on the balance sheet to come at the FOMC's next meeting on March 19th – 20th.

Interest rates moved higher during the month led by the seven-year part of the curve. Seven-year notes sold off 10 bps while two-year notes finished 6 bps higher. The CMBS sector was the best performing sector in the Bloomberg Barclays U.S. Aggregate Index during the month, producing 63 bps of excess return. The Credit sector produced 57 bps of excess return, outperforming both the MBS and ABS sectors. The S&P 500 was up 3.21% during the month of February. Through the first two months of the year, the S&P is up approximately 11% for the best two-month start to a year since 1987.

High Grade credit continued to tighten during the month, albeit at a more modest pace than January's rally. The Bloomberg Barclays Credit Index tightened 8 bps to close the month at 114 bps, essentially recouping all the losses experienced in November and December of last year. Performance across sub-sectors was consistent, as Utilities and Industrials outpaced the broader market, returning 88 bps and 58 bps, respectively. The Financial and Non-corporate sub-sectors generated 55 bps and 46 bps, respectively. Spreads managed to improve despite the weakening U.S. economic data. Investors have been emboldened to continue deploying capital in the asset class due to the stable rate environment and market expectations of zero rate hikes in 2019. Although there have been no concrete resolutions on either the Brexit negotiations or China-U.S. trade relations, investors have seemingly become more comfortable with the prevailing uncertainties in the market.

US Fixed Income Excess Returns

Index	1-Month	3-Month	YTD	1-Year
Credit Aaa	0.08%	0.30%	0.43%	0.21%
Credit Aa	0.32%	0.89%	1.28%	0.10%
Credit A	0.50%	1.29%	2.11%	-0.80%
Credit Baa	0.77%	1.60%	2.85%	-1.18%
Finance	0.55%	1.60%	2.40%	-0.13%
Industrial	0.58%	1.42%	2.58%	-1.09%
Utility	0.88%	0.32%	1.27%	-3.09%
Supranational	0.10%	0.16%	0.13%	0.36%
Sovereign	0.97%	2.50%	3.20%	0.48%

2/28/2019

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

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# Fixed Income Investors

## Market Review - as of February 28, 2019





























The optimistic tone in February enticed issuers to access the new issue market, bringing slightly more than \$115 billion in fixed rate supply. 2019 issuance is in line with market expectations, leading to a positive technical backdrop in the market. The industrial sector comprised 50% of the new issue volume during the month and was met with strong demand from the investor base. The positive reception to the new issue calendar caused new issue pricing to compress versus secondary paper. New deals experienced modest spread tightening in the front end of the month, but slightly softer performance in the back half as investors were reluctant to chase deals tighter given the continuance of supply.

Although spreads tightened across the curve, front end credit outperformed intermediate and longer dated paper. The flat yield curve continues to garner the interest of investors looking for incremental yield without taking duration risk. Furthermore, industrial issuance in the back end of the curve lead to a slightly weaker technical backdrop in 30yr issues.

The sharp reversal in High Grade credit in the first two months of the year has been nothing short of impressive. Given the recent adjustment in valuations and continued issuance, it is likely credit spreads will trade in a rangebound environment if the macroeconomic and geopolitical backdrop remain unchanged. The market is searching for the next catalyst, which at the current moment remains elusive.

Structured Products continue to perform well in the current low volatility environment. Excess returns for agency CMBS, ABS, and MBS were 63 bps, 22 bps, and 6 bps, respectively. Performance was driven by longer duration issues as well as securities further down the credit spectrum. New issuance in CMBS was robust after a slow start to the new year, but supply was easily absorbed by investors. Demand for short duration ABS remains strong as investors continue to find value in the front end of the curve. Performance across MBS was modest as demand for the sector was tepid, but lighter supply created a more benign technical backdrop.

US Fixed Income Excess Returns

Index	1-Month	3-Month	YTD	1-Year
<b>Agg</b>	0.20% 	0.46% 	0.78% 	-0.21% 
<b>Agency</b>	0.12% 	0.02% 	0.09% 	-0.03% 
<b>Credit</b>	0.57% 	1.31% 	2.23% 	-0.78% 
<b>MBS</b>	0.06% 	0.24% 	0.38% 	0.06% 
<b>ABS</b>	0.22% 	0.30% 	0.38% 	0.68% 
<b>CMBS</b>	0.63% 	0.76% 	1.15% 	0.46% 
<b>USD EM</b>	1.04% 	3.08% 	3.75% 	-0.43% 

2/28/2019

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

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# Fixed Income Investors

Supplemental Data - as of February 28, 2019

## US Treasury Yields

Term	2/28/2019	Change vs. 1 Month Ago	Change vs. 3 Months Ago	Change YTD	Change vs. 1 Year Ago
1Y	2.54%	-1	-14	-6	48
2Y	2.51%	6	-27	3	26
3Y	2.49%	6	-31	4	9
5Y	2.51%	8	-30	0	-13
7Y	2.62%	10	-28	3	-17
10Y	2.72%	9	-27	3	-15
30Y	3.08%	8	-21	7	-4
2s10s	20	3	0	0	-41
10s30s	37	0	6	3	10

## US Fixed Income Total Returns

Index	1-Month	3-Month	YTD	1-Year
Agg	-0.06%	2.86%	1.00%	3.17%
Treasury	-0.27%	2.35%	0.20%	3.23%
Agency	0.02%	1.84%	0.41%	2.88%
Credit	0.22%	3.92%	2.38%	2.72%
MBS	-0.09%	2.53%	0.70%	3.58%
ABS	0.28%	1.55%	0.75%	3.12%
CMBS	0.41%	3.10%	1.46%	4.02%
USD EM	0.80%	5.43%	4.01%	3.03%




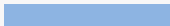

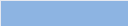
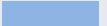
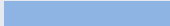























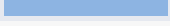
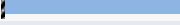
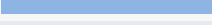
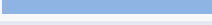
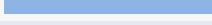
2/28/2019

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















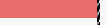








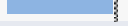



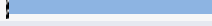
Supplemental Data - as of February 28, 2019

## US Fixed Income Total Returns

Index	1-Month	3-Month	YTD	1-Year
Credit Aaa	-0.09% 	2.28% 	0.69% 	3.24% 
Credit Aa	0.01% 	3.33% 	1.45% 	3.40% 
Credit A	0.13% 	3.97% 	2.26% 	2.75% 
Credit Baa	0.38% 	4.31% 	2.99% 	2.39% 
Finance	0.30% 	3.89% 	2.64% 	3.20% 
Industrial	0.16% 	4.24% 	2.70% 	2.54% 
Utility	0.29% 	3.63% 	1.26% 	0.84% 
Supranational	0.06% 	1.79% 	0.47% 	3.14% 
Sovereign	0.46% 	5.54% 	3.26% 	4.23% 

2/28/2019

## US Fixed Income Spreads













































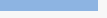
Index	2/28/2019	Change vs. 1 Month Ago	Change vs. 3 Months Ago	Change YTD	Change vs. 1 Year Ago
Agg	45 	-2 	-5 	-9 	8 
Agency	14 	-3 	-1 	-2 	1 
Credit	114 	-7 	-15 	-29 	23 
MBS	35 	3 	0 	0 	9 
ABS	37 	-9 	-10 	-16 	-8 
CMBS	68 	-11 	-9 	-18 	9 
USD EM	280 	-16 	-44 	-63 	59 

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






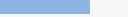


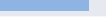
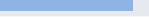



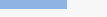





# Fixed Income Investors

Supplemental Data - as of February 28, 2019

## US Fixed Income Spreads

Index	2/28/2019	Change vs. 1 Month Ago	Change vs. 3 Months Ago	Change YTD	Change vs. 1 Year Ago
Credit Aaa	20 	-3 	-5 	-6 	-4 
Credit Aa	62 	-4 	-12 	-19 	5 
Credit A	90 	-6 	-19 	-28 	12 
Credit Baa	161 	-9 	-16 	-36 	38 
Finance	110 	-9 	-22 	-37 	19 
Industrial	127 	-6 	-14 	-30 	28 
Utility	118 	-9 	-14 	-26 	27 
Supranational	11 	-3 	-3 	-2 	-6 
Sovereign	129 	-10 	-20 	-32 	19 

## Global Equity Returns

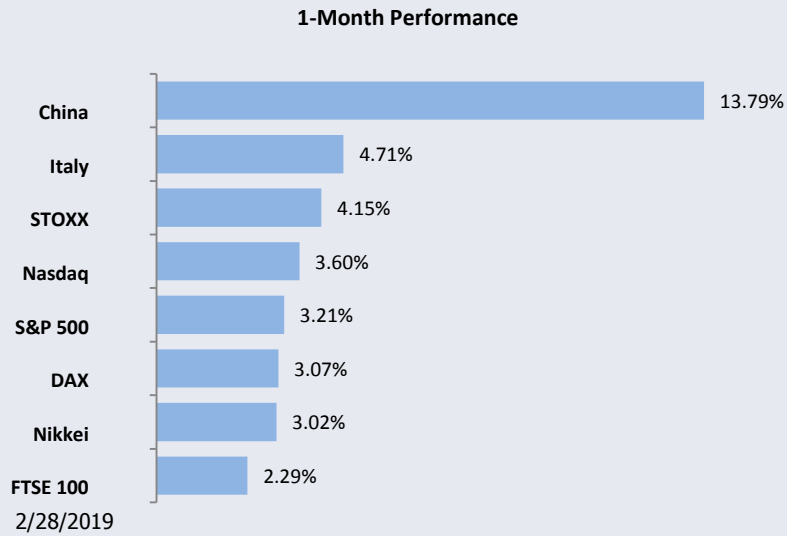
Stock Index	2/28/2019	1-Month	3-Month	YTD	1-Year
S&P 500	2784	3.21% 	1.42% 	11.48% 	4.68% 
Nasdaq	7533	3.60% 	3.05% 	13.74% 	4.71% 
STOXX	373	4.15% 	4.70% 	10.74% 	1.05% 
FTSE 100	7075	2.29% 	2.30% 	6.01% 	2.15% 
DAX	11516	3.07% 	2.30% 	9.06% 	-7.40% 
Italy	20659	4.71% 	7.66% 	12.75% 	-8.62% 
Nikkei	21385	3.02% 	-4.06% 	6.93% 	-1.10% 
China	2941	13.79% 	13.63% 	17.93% 	-9.77% 

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# Fixed Income Investors

Supplemental Data - as of February 28, 2019



## Europe

Stock Index	Last	1-Month	3-Month	YTD	1-Year
STOXX	373	4.15%	4.70%	10.74%	1.05%
FTSE 100	7075	2.29%	2.30%	6.01%	2.15%
DAX	11516	3.07%	2.30%	9.06%	-7.40%
CAC 40	5241	4.97%	4.96%	10.82%	0.80%
Portugal	5185	1.10%	5.52%	9.59%	-5.17%
Italy	20659	4.71%	7.66%	12.75%	-8.62%
Ireland	6116	6.04%	5.13%	11.63%	-6.88%
Greece	708	11.48%	12.61%	15.36%	-13.58%
Spain	9278	2.44%	3.12%	9.13%	-2.52%
Russia	2485	-1.42%	3.88%	5.38%	8.21%










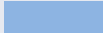
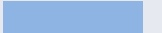





2/28/2019

Source: Bloomberg, NYL Investors, Barclays – March 2019.  
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Supplemental Data - as of February 28, 2019

## International

Stock Index	Last	1-Month	3-Month	YTD	1-Year
MSCI EAFE	1874	2.55% 	3.98% 	9.29% 	-6.04% 
MSCI EM	1051	0.22% 	6.11% 	9.01% 	-9.89% 
MSCI FM	545	0.80% 	2.50% 	5.59% 	-15.26% 
MSCI FM100	1203	0.86% 	2.85% 	6.42% 	-14.73% 

2/28/2019

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