

NYL Investors LLC

Fixed Income Investors

January 2020

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Fixed Income Investors

Summary - as of January 31, 2020

- Geopolitical events continued to hang over the market as we began the new year with the killing of Iranian General Qasem Soleimani in a U.S. airstrike.
- Toward the middle of the month, the U.S. and China signed the highly anticipated phase one trade deal and have agreed to future discussions on additional trade provisions.
- Around the time of the trade agreement, China announced its first death from the coronavirus.
- Although the U.S. economy is heavily reliant on domestic consumption, we still expect first quarter U.S. GDP growth to be reduced by 0.10% to 0.30% due to the virus.
- Despite the weaker than expected jobs number and corresponding wage increase, the labor report still appears to be on strong footing.
- The December unemployment rate came in at 3.5%, close to all-time lows, while the labor force participation rate is close to its highest level since early 2013.
- Toward the end of January, the advanced fourth quarter GDP reading came in at 2.1%, bringing annual growth for 2019 to 2.3%.
- The Federal Open Market Committee (FOMC) kept the federal funds target range unchanged between 1.50% - 1.75% while raising the interest on excess reserves (IOER) rate by 5 bps, from 1.55% to 1.60%.
- High Grade Credit was the worst performing sector in the Bloomberg Barclays U.S. Aggregate Index during the month.
- The Bloomberg Barclays Credit index widened by 8 bps, generating -70 bps of excess return.
- The Industrial sector led the underperformance during the month returning -101 bps of excess return while the Financial and Utility sectors generated -44 bps and -54 bps, respectively.
- Given the flight to quality during January, the Non-corporate sector outpaced the broader index generating -17 bps of excess return.
- Within securitized products, CMBS produced 38 bps of excess return, outperforming both ABS and MBS.
- Fixed-rate supply ended the month at \$172 billion, marking one of the busiest Januaries on record.

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

Past performance is not indicative of future results.

MBS – Mortgage-Backed Securities

CMBS – Commercial Mortgage-Backed Securities

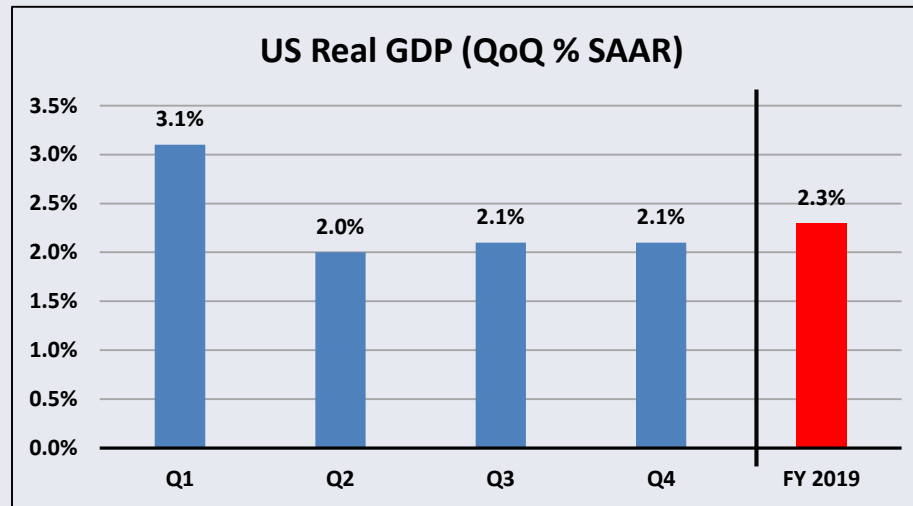
ABS – Asset-Backed Securities

Fixed Income Investors

Market Review - as of January 31, 2020

Geopolitical events continued to hang over the market as we began the new year. In the beginning of the month, the killing of Iranian General Qasem Soleimani in a U.S. airstrike increased tensions in the already strained relationship between the U.S. and Iran. Financial markets reacted in a classic “risk-off” fashion with interest rates rallying and the equity market selling off. Toward the middle of the month, the U.S. and China signed the highly anticipated phase one trade deal. The signing of the deal was largely ceremonial as the details of the agreement were already known. As part of the deal, U.S. and Chinese negotiators have agreed to future discussions on additional trade provisions. Around the time of the trade agreement, China announced its first death from the coronavirus. As the month progressed and more cases were reported, the Chinese administration moved to isolate possible affected areas and limit the contagion risk. The effective isolation of the world’s second largest economy will have a ripple effect on tourism as well as global supply chains. While the U.S. economy is largely insulated due to its heavy reliance on domestic consumption, we still expect first quarter U.S. GDP growth to be reduced by 0.10% to 0.30% due to the virus.

The December non-farm payroll report came in at 145k, below the 160k that was expected. Average hourly earnings (YoY) came in at 2.9%, the first print below 3% since July 2018. Despite the weaker than expected jobs number and corresponding wage increase, the labor report still appears to be on strong footing. The unemployment rate at 3.5% remains close to all-time lows while the labor force participation rate is close to its highest level since early 2013. Toward the end of the month, the advanced fourth quarter GDP reading came in at 2.1%, bringing annual growth for 2019 to 2.3%.



Source: Bloomberg, February 2020

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

SAAR – Seasonally Adjusted Annual Rate

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Fixed Income Investors

Market Review - as of January 31, 2020

The Federal Open Market Committee (FOMC) held their first monetary policy meeting of 2020 on January 28th and 29th. They kept the federal funds target range unchanged between 1.50% - 1.75% while raising the interest on excess reserves (IOER) rate by 5 bps from 1.55% to 1.60%. The changes to the IOER are more of a technical adjustment rather than a reflection of their monetary policy stance. There were slight changes to the January statement reflecting downgraded consumer spending as well as more forceful language around the Federal Reserve's 2% inflation target. The dovish tone toward inflation was echoed by Chair Powell in his ensuing press conference. The Chairman also discussed the Federal Reserve's updated balance sheet policy and what to expect moving forward. The Federal Reserve's next meeting will take place in March where it is expected that the committee will once again leave the federal funds target range unchanged.

During January, interest rates moved lower and the curve flattened, led by the long end. The two-year part of the curve moved 26 bps lower while the ten-year part of the curve moved 41 bps lower. The massive bull flattening of the interest rate curve was driven primarily by heightened fears over the spreading of the coronavirus epidemic. High Grade Credit was the worst performing sector in the Bloomberg Barclays U.S. Aggregate Index during the month. Within securitized products, CMBS produced 38 bps of excess return, outperforming both ABS and MBS.

US Treasury Yields

Term	1/31/2020	Change vs. 1 Month Ago	Change vs. 3 Months Ago	Change YTD	Change vs. 1 Year Ago
1Y	1.42%	-14	-7	-14	-112
2Y	1.31%	-26	-21	-26	-114
3Y	1.29%	-31	-22	-31	-114
5Y	1.31%	-38	-21	-38	-112
7Y	1.42%	-41	-18	-41	-110
10Y	1.51%	-41	-18	-41	-112
30Y	2.00%	-39	-18	-39	-100
2s10s	19	-15	3	-15	2
10s30s	49	2	0	2	13

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

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Market Review - as of January 31, 2020

After setting multi-year highs at the end of 2019, High Grade Credit spreads leaked wider over the course of January as a heavy new issue calendar and escalating concerns around coronavirus weighed on spreads. The Bloomberg Barclays Credit index widened by 8 bps, generating -70 bps of excess return. The Industrial sector led the underperformance during the month returning -101 bps of excess return while the Financial and Utility sectors generated -44 bps and -54 bps, respectively. Given the flight to quality during January, the Non-corporate sector outpaced the broader index generating -17 bps of excess return. Although spread performance was negative during January, the positive fundamental backdrop remains intact as banks reported a healthy fourth quarter and industrial earnings to date have met or slightly beat expectations.

US Fixed Income Excess Returns

Index	1-Month	3-Month	YTD	1-Year
Credit Aaa	-0.21%	0.18%	-0.21%	0.59%
Credit Aa	-0.37%	0.48%	-0.37%	1.78%
Credit A	-0.68%	0.80%	-0.68%	2.84%
Credit Baa	-0.86%	1.42%	-0.86%	5.36%
Finance	-0.44%	1.06%	-0.44%	3.79%
Industrial	-1.01%	1.09%	-1.01%	4.03%
Utility	-0.54%	0.94%	-0.54%	3.85%
Supranational	0.02%	0.07%	0.02%	0.38%
Sovereign	-0.99%	1.19%	-0.99%	4.22%

1/31/2020

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

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Fixed Income Investors

Market Review - as of January 31, 2020

After starting the month on a positive note, credit spreads struggled to perform as investor concerns over the coronavirus and possible impacts to global growth led to a flight to quality. That said, the new issue calendar was active as issuers took advantage of windows of stability to tap the bond markets. Fixed-rate supply ended the month at \$172 billion, marking one of the busiest Januaries on record. Despite a weaker tone in the secondary market, issuers benefitted from the rally in rates and the overwhelming inflows into the asset class. This enabled deals to price with limited concessions in the front half of the month and modestly wider concessions in the back half.

As uncertainty around the virus accelerated and investors began to question possible impacts to growth, higher beta industries, particularly Energy, began to widen materially. This dynamic caused the relationship between higher quality and lower quality credit to widen. Furthermore, credit curves began to steepen as investors sought stability in the front end. All-in yield levels out the credit curve remain challenging.

Performance within Structured Products was mixed during the month of January. Spreads in CMBS and ABS played catchup to the move in corporate credit spreads at the tail end of 2019, with the sectors generating excess returns of 38 bps and 32 bps at the index level, respectively. Performance within MBS was weighed down by concerns over increasingly negative convexity and elevated origination as rates rallied from 1.90% to 1.55% on ten-year rates over the course of the month. The MBS index had -53 bps of excess returns in January. The bulk of the widening came from the GNMA sector (-63 bps) as banks and overseas investors remained on the sidelines into the leg lower in rates and yields. Conventionals fared better (-49 bps) due to sponsorship from money managers as valuations remain attractive versus investment grade credit.

US Fixed Income Excess Returns

Index	1-Month	3-Month	YTD	1-Year
Agg	-0.34%	0.31%	-0.34%	1.04%
Agency	-0.02%	0.10%	-0.02%	0.56%
Credit	-0.70%	1.00%	-0.70%	3.70%
MBS	-0.53%	0.00%	-0.53%	-0.31%
ABS	0.32%	0.34%	0.32%	0.88%
CMBS	0.38%	0.35%	0.38%	1.68%
USD EM	-0.87%	1.58%	-0.87%	2.56%

1/31/2020

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

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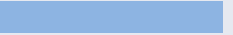
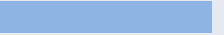
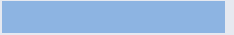
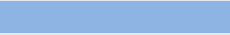




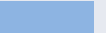

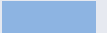
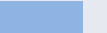




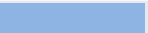
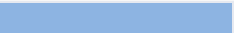
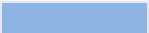
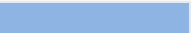
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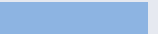
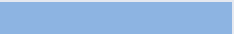
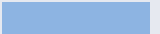
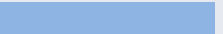




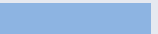
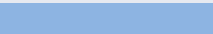
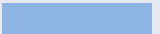
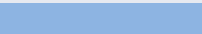












Supplemental Data - as of January 31, 2020

US Fixed Income Total Returns

Index	1-Month		3-Month		YTD		1-Year	
Agg	1.92%		1.80%		1.92%		9.64%	
Treasury	2.44%		1.56%		2.44%		8.96%	
Agency	1.54%		1.25%		1.54%		7.10%	
Credit	2.34%		2.83%		2.34%		13.99%	
MBS	0.70%		1.06%		0.70%		6.25%	
ABS	1.00%		1.12%		1.00%		5.08%	
CMBS	2.49%		1.82%		2.49%		9.83%	
USD EM	1.54%		3.12%		1.54%		11.31%	

1/31/2020

US Fixed Income Total Returns

Index	1-Month		3-Month		YTD		1-Year	
Credit Aaa	1.68%		1.50%		1.68%		7.87%	
Credit Aa	2.55%		2.24%		2.55%		11.49%	
Credit A	2.43%		2.64%		2.43%		13.35%	
Credit Baa	2.33%		3.32%		2.33%		16.15%	
Finance	1.94%		2.61%		1.94%		12.41%	
Industrial	2.38%		3.06%		2.38%		15.31%	
Utility	3.75%		3.25%		3.75%		17.53%	
Supranational	1.18%		1.08%		1.18%		5.88%	
Sovereign	2.75%		3.28%		2.75%		16.51%	




















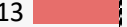
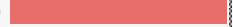
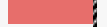






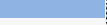
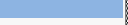
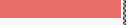
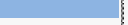
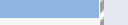
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
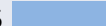

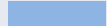





























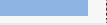
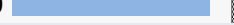

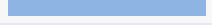

Fixed Income Investors

Supplemental Data - as of January 31, 2020

US Fixed Income Spreads

Index	1/31/2020	Change vs. 1 Month Ago	Change vs. 3 Months Ago	Change YTD	Change vs. 1 Year Ago
Agg	44 	5 	-2 	5 	-3 
Agency	10 	0	-2 	0	-7 
Credit	98 	8 	-7 	8 	-23 
MBS	48 	9 	-1 	9 	16 
ABS	31 	-13 	-10 	-13 	-15 
CMBS	68 	-4 	-2 	-4 	-11 
USD EM	320 	19 	-6 	19 	24 

US Fixed Income Spreads

Index	1/31/2020	Change vs. 1 Month Ago	Change vs. 3 Months Ago	Change YTD	Change vs. 1 Year Ago
Credit Aaa	18 	1 	-2 	1 	-5 
Credit Aa	57 	5 	-2 	5 	-9 
Credit A	77 	7 	-7 	7 	-19 
Credit Baa	136 	11 	-10 	11 	-34 
Finance	87 	7 	-11 	7 	-32 
Industrial	110 	11 	-7 	11 	-23 
Utility	102 	5 	-6 	5 	-25 
Supranational	8 	0	-2 	0	-6 
Sovereign	114 	10 	-8 	10 	-25 

Source: Bloomberg, NYL Investors, Barclays – February 2020.
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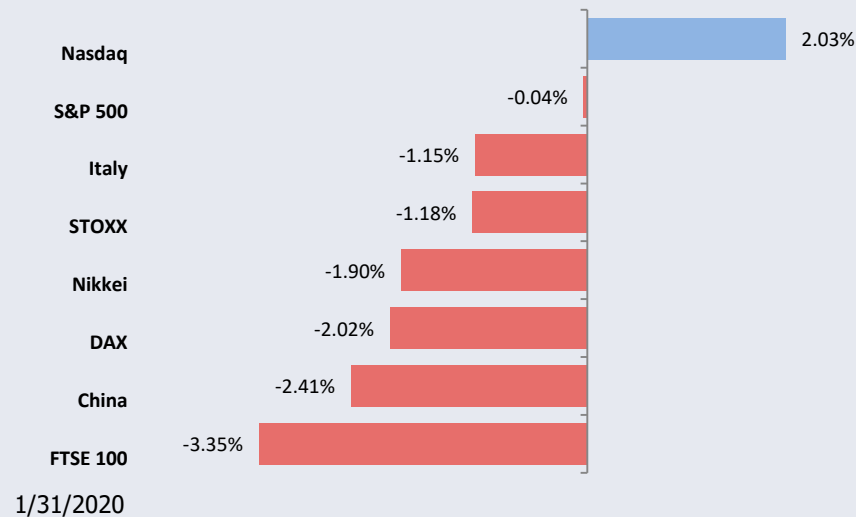
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Global Equity Returns

Stock Index	1/31/2020	1-Month	3-Month	YTD	1-Year
S&P 500	3226	-0.04%	6.72%	-0.04%	21.68%
Nasdaq	9151	2.03%	10.64%	2.03%	27.03%
STOXX	411	-1.18%	3.79%	-1.18%	17.87%
FTSE 100	7286	-3.35%	1.13%	-3.35%	9.41%
DAX	12982	-2.02%	0.90%	-2.02%	16.19%
Italy	23237	-1.15%	2.39%	-1.15%	17.77%
Nikkei	23205	-1.90%	1.40%	-1.90%	14.09%
China	2977	-2.41%	1.62%	-2.41%	15.17%

1-Month Performance



Source: Bloomberg, NYL Investors, Barclays – February 2020.
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Supplemental Data - as of January 31, 2020

Europe

Stock Index	Last	1-Month	3-Month	YTD	1-Year
STOXX	411	-1.18%	3.79%	-1.18%	17.87%
FTSE 100	7286	-3.35%	1.13%	-3.35%	9.41%
DAX	12982	-2.02%	0.90%	-2.02%	16.19%
CAC 40	5806	-2.76%	1.57%	-2.76%	19.04%
Portugal	5252	0.73%	2.59%	0.73%	2.40%
Italy	23237	-1.15%	2.39%	-1.15%	17.77%
Ireland	6998	-2.57%	7.05%	-2.57%	23.68%
Greece	911	-0.08%	3.95%	-0.08%	48.35%
Spain	9368	-1.67%	2.00%	-1.67%	6.77%
Russia	3077	1.01%	6.31%	1.01%	22.04%

1/31/2020

International

Stock Index	Last	1-Month	3-Month	YTD	1-Year
MSCI EAFE	1994	-2.09%	2.23%	-2.09%	12.10%
MSCI EM	1062	-4.66%	2.31%	-4.66%	3.81%
MSCI FM	586	-0.06%	5.71%	-0.06%	12.57%
MSCI FM100	1301	0.67%	6.72%	0.67%	13.37%

1/31/2020

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

Fixed Income Investors

Important Disclosures

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