

NYL Investors LLC

Fixed Income Investors

May 2019

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Fixed Income Investors

Summary - as of May 31, 2019

- The Federal Reserve began May with their third meeting of the year in which they kept the target rate unchanged at 2.25% to 2.50% while describing the recent weakness in inflation as “transitory.”
- President Trump announced he would push tariffs from 10% to 25% on the existing \$200 billion of Chinese goods due to the unwillingness of the Chinese delegation to memorialize certain aspects of the trade deal.
- The escalation in tariffs to include Mexico, one of our closest allies, has caused the Federal Reserve to rethink their hands-off policy. Markets now expect the Federal Reserve will cut interest rates two to three times by the end of 2019.
- The unemployment rate dropped to 3.6%, matching the lowest reading in close to 50 years. Average Hourly Earnings (YoY) printed at 3.2%, continuing strong growth.
- High Grade Credit was the worst performing sector in the Bloomberg Barclays U.S. Aggregate Index, producing -126 bps of excess return.
- Risk off scenario impacted all sectors of the index, but the Industrial and Utility sectors lagged the broader market, returning -165 bps and -150 bps, respectively.
- The Financial and Non-corporate sectors returned -87 bps and -57 bps, respectively.
- New issue activity in May was concentrated in two large transactions. IBM and Bristol-Meyers accounted for nearly \$40 billion of the month’s \$109 billion of fixed rate issuance.
- ABS drove the outperformance in Structured Products in May, with excess returns of 15 bps, which came mostly from the Utility (+29 bps), non-Aaa (+29 bps), and Auto sectors (+18 bps).
- CMBS managed to close May with 0 bps of excess return while MBS was the one space that suffered negative returns at -40 bps.

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

Past performance is not indicative of future results.

MBS – Mortgage-Backed Securities

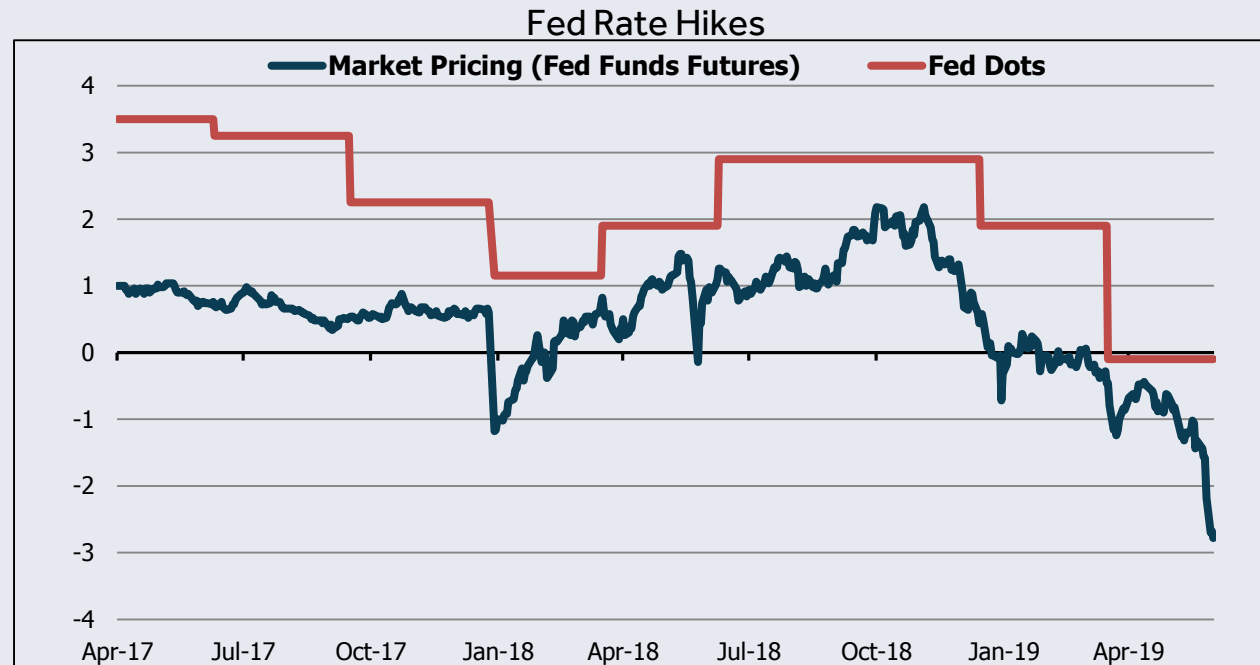
CMBS – Commercial Mortgage-Backed Securities

ABS – Asset-Backed Securities

Fixed Income Investors

Market Review - as of May 31, 2019

The Federal Reserve began May with their third meeting of the year in which they kept the target rate unchanged at 2.25% to 2.50% while describing the recent weakness in inflation as “transitory.” The Federal Reserve meeting coincided with Golden Week in Japan and May Day in Europe, providing a quiet backdrop to the start of the month. A series of tweets from President Trump broke this calm, while also putting a comprehensive trade deal between the U.S. and China even further out of reach. Apparently angered by the unwillingness of the Chinese delegation to memorialize certain aspects of the trade deal, President Trump announced he would push tariffs from 10% to 25% on the existing \$200 billion of Chinese goods. He also threatened new tariffs on an additional \$325 billion of Chinese goods if a deal was not soon secured. Markets were caught off guard by the bluntness of the President’s message and reacted accordingly. Treasury rates across the curve moved lower as the risk off sentiment permeated through the market. Toward the end of the month, trade tensions were further enflamed by the President when he threatened Mexico with a series of escalating tariffs in response to their inability or unwillingness to help combat the immigration crisis at the border. The escalation in tariffs to include our closest allies has caused the Federal Reserve to rethink their hands-off policy. Markets now expect the Federal Reserve will cut interest rates two to three times by the end of 2019.



Source: Citigroup, June 2019

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

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Fixed Income Investors

Market Review - as of May 31, 2019

During the month of April, the economy added 263k jobs versus a consensus estimate of 190k. The unemployment rate dropped to 3.6%, matching the lowest reading in close to 50 years. Average Hourly Earnings (YoY) printed at 3.2%, continuing the strong growth seen throughout 2018 and 2019. Toward the end of the month, Q1 growth was revised down from 3.2% to 3.1%, still the strongest Q1 growth since 2015.

Interest rates moved lower and the curve flattened during the month of May, led by ten-year notes which rallied 38 bps while two-year notes finished 34 bps lower. High Grade Credit was the worst performing sector in the Bloomberg Barclays U.S. Aggregate Index, producing -126 bps of excess return. Within securitized products, ABS produced 15 bps of excess return, outperforming both the CMBS and MBS sectors. The S&P 500 was down 6.4% during the month of May.

The escalation in trade tensions between the U.S., China and now Mexico negatively impacted credit spread performance during the month. The Bloomberg Barclays Credit Index widened 16 bps during the month. The risk off scenario impacted all sub-sectors of the index, but the Industrial and Utility sectors lagged the broader market, returning -165 bps and -150 bps, respectively. The Financial and Non-corporate sectors returned -87 bps and -57 bps, respectively. Given the substantial rally in rates throughout the month, yield sensitive investors balked at lower all-in yields, thereby contributing to weakness in the general market tone. Although the fundamental backdrop in credit remains stable, near-term spread performance will be determined by headlines leading up to the Federal Reserve and G-20 meetings in June.

US Fixed Income Excess Returns

Index	1-Month	3-Month	YTD	1-Year
Credit Aaa	-0.22%	-0.02%	0.43%	0.39%
Credit Aa	-0.65%	-0.15%	1.18%	0.51%
Credit A	-1.09%	-0.36%	1.84%	0.08%
Credit Baa	-1.70%	0.02%	3.01%	0.54%
Finance	-0.87%	0.01%	2.50%	1.18%
Industrial	-1.65%	-0.29%	2.41%	0.01%
Utility	-1.50%	-0.24%	1.10%	-1.89%
Supranational	0.04%	0.15%	0.29%	0.50%
Sovereign	-2.05%	-1.10%	2.24%	2.11%

5/31/2019

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

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Market Review - as of May 31, 2019

The pace of new issue activity was rapid to begin the month but concentrated in a handful of very large transactions. IBM and Bristol-Meyers accounted for nearly \$40 billion of the month's \$109 billion of fixed rate issuance. The deals priced in the first week of May and before any of the trade related volatility ensued. The calendar slowed significantly into month end as investors became increasingly cautious and selective as spreads widened and market uncertainty ticked higher. Issuance is down just 5% year-over-year, but supply has been absorbed well, leading to a relatively benign technical backdrop.

Credit curves steepened as investors sought the safety of the front end of the curve, while eschewing longer dated paper. Higher quality credit outperformed after lagging lower quality credit for the first four months of the year. New issue volumes will be driven by macro headlines, and supply could deviate meaningfully from the estimates of \$80 – 90 billion for June.

Structured Products outperformed during May as the sector withstood the increased market volatility. ABS drove the outperformance, with excess returns of 15 bps which came mostly from the Utility (+29 bps), non-Aaa (+29 bps), and Auto sectors (+18 bps). Despite facing the largest supply month post-crisis and escalating global trade tensions, CMBS managed to close May with 0 bps of excess return. Even as rates rallied and the curve flattened, shorter tenor subsectors benefited the most, as investors likely gravitated to the more defensive, lower spread duration bonds. 1-3.5yr and 3.5-6yr subsectors generated excess returns of 8 bps and 7 bps, respectively. The Baa subsector generated excess returns of 119 bps. Spreads were roughly unchanged as demand for these smaller notional issued tranches remained intact, and the lower dollar price bonds benefited the most from the rate rally. Agency CMBS produced negative excess returns of 7 bps, likely feeling pressure from widening AAA conduit and agency MBS spreads.

US Fixed Income Excess Returns

Index	1-Month	3-Month	YTD	1-Year
Agg	-0.48%	-0.18%	0.63%	0.01%
Agency	-0.01%	0.20%	0.30%	0.19%
Credit	-1.26%	-0.14%	2.19%	0.36%
MBS	-0.40%	-0.53%	-0.14%	-0.48%
ABS	0.15%	0.26%	0.65%	0.82%
CMBS	0.00%	0.34%	1.54%	1.06%
USD EM	-1.66%	-1.51%	2.33%	0.80%

5/31/2019

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

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MBS was the one space within Structured Products that suffered negative returns in May (-40 bps), as convexity related concerns weighed on investors into the rally and a faster speed report for April (+24%). The 30yr sector led the underperformance with excess returns of -40 bps, as they are most exposed to faster speeds given the rate move, curve shape, and elevated gross Weighted Average Coupons (WACs) and loan sizes. These dynamics will remain at the forefront of investors' minds as we remain at multi-year lows in rates during peak seasonals.

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

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
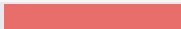
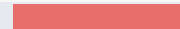
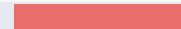
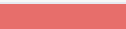






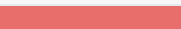
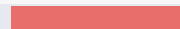
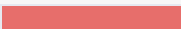
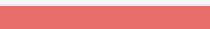

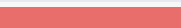
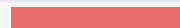
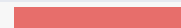
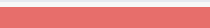

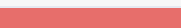
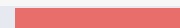
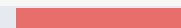
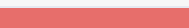

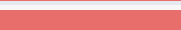
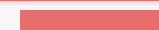
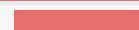
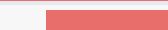
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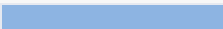
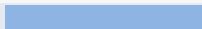
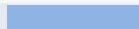
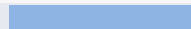
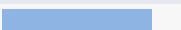
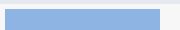
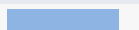
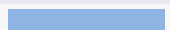
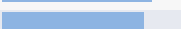
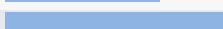
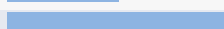
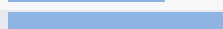













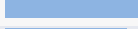
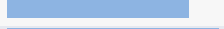
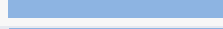
Fixed Income Investors

Supplemental Data - as of May 31, 2019

US Treasury Yields

Term	5/31/2019	Change vs. 1 Month Ago	Change vs. 3 Months Ago	Change YTD	Change vs. 1 Year Ago
1Y	2.20% 	-17 	-34 	-40 	-2 
2Y	1.92% 	-34 	-59 	-57 	-51 
3Y	1.87% 	-37 	-62 	-58 	-68 
5Y	1.91% 	-37 	-60 	-60 	-79 
7Y	2.02% 	-37 	-60 	-57 	-79 
10Y	2.12% 	-38 	-59 	-56 	-73 
30Y	2.57% 	-36 	-51 	-45 	-46 
2s10s	20	-3	0	1	-23
10s30s	44	2	8	11	28

US Fixed Income Total Returns

Index	1-Month	3-Month	YTD	1-Year
Agg	1.78% 	3.76% 	4.80% 	6.40% 
Treasury	2.35% 	4.01% 	4.22% 	6.28% 
Agency	1.55% 	3.02% 	3.44% 	5.35% 
Credit	1.47% 	4.45% 	6.94% 	7.40% 
MBS	1.29% 	2.71% 	3.43% 	5.51% 
ABS	0.97% 	1.97% 	2.74% 	4.58% 
CMBS	2.04% 	4.05% 	5.57% 	7.70% 
USD EM	0.62% 	2.39% 	6.50% 	7.31% 

5/31/2019

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Fixed Income Investors

Supplemental Data - as of May 31, 2019

US Fixed Income Total Returns

Index	1-Month	3-Month	YTD	1-Year
Credit Aaa	1.58%	3.18%	3.89%	5.88%
Credit Aa	1.88%	4.09%	5.60%	7.07%
Credit A	1.70%	4.32%	6.68%	7.22%
Credit Baa	1.19%	4.87%	8.01%	7.87%
Finance	1.32%	3.84%	6.58%	7.51%
Industrial	1.39%	4.75%	7.58%	7.50%
Utility	2.31%	5.91%	7.25%	6.65%
Supranational	1.27%	2.53%	3.02%	5.20%
Sovereign	1.33%	4.48%	7.89%	10.18%

5/31/2019

US Fixed Income Spreads













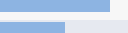


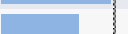
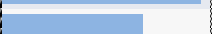

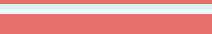


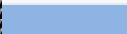

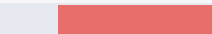



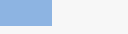



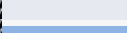


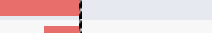





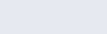
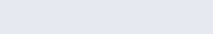
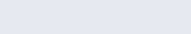
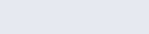

Index	5/31/2019	Change vs. 1 Month Ago	Change vs. 3 Months Ago	Change YTD	Change vs. 1 Year Ago
Agg	49	5	4	-5	7
Agency	12	-1	-2	-4	-1
Credit	120	16	6	-23	11
MBS	44	3	9	9	16
ABS	32	-6	-5	-21	-12
CMBS	67	2	-1	-19	1
USD EM	316	27	36	-27	33

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



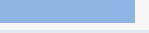

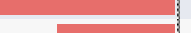





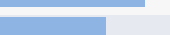



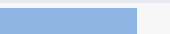



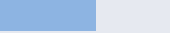



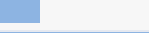
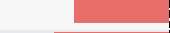

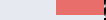


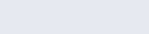

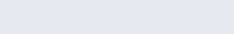
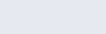
Fixed Income Investors

Supplemental Data - as of May 31, 2019

US Fixed Income Spreads

Index	5/31/2019	Change vs. 1 Month Ago	Change vs. 3 Months Ago	Change YTD	Change vs. 1 Year Ago
Credit Aaa	20 	1 	0 	-6 	-6 
Credit Aa	68 	9 	6 	-13 	2 
Credit A	98 	14 	8 	-20 	4 
Credit Baa	166 	21 	5 	-31 	17 
Finance	116 	15 	6 	-31 	4 
Industrial	136 	20 	9 	-21 	19 
Utility	122 	14 	4 	-22 	14 
Supranational	8 	-2 	-3 	-5 	-9 
Sovereign	142 	22 	13 	-19 	-4 

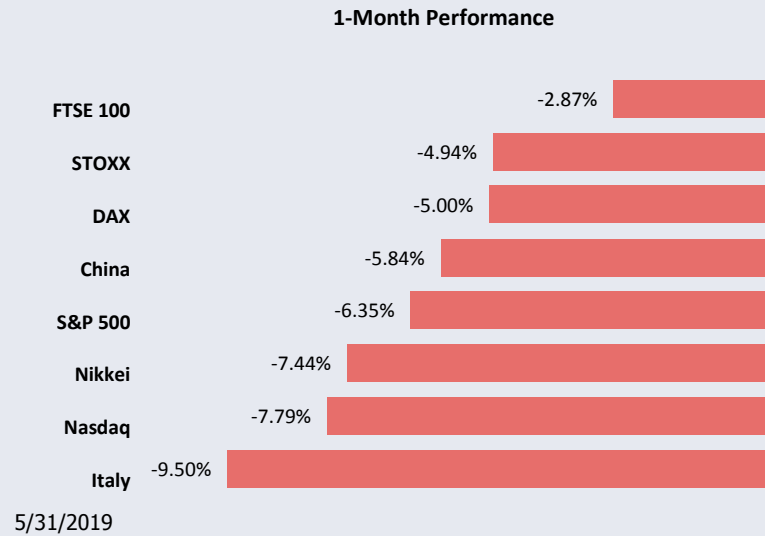
Global Equity Returns

Stock Index	5/31/2019	1-Month	3-Month	YTD	1-Year
S&P 500	2752	-6.35% 	-0.67% 	10.73% 	3.78% 
Nasdaq	7453	-7.79% 	-0.77% 	12.85% 	1.23% 
STOXX	369	-4.94% 	0.67% 	11.48% 	-0.80% 
FTSE 100	7162	-2.87% 	2.66% 	8.83% 	-2.54% 
DAX	11727	-5.00% 	1.83% 	11.06% 	-6.97% 
Italy	19802	-9.50% 	-4.15% 	8.07% 	-9.10% 
Nikkei	20601	-7.44% 	-2.88% 	3.85% 	-5.26% 
China	2899	-5.84% 	-1.44% 	16.23% 	-6.36% 

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

Fixed Income Investors

Supplemental Data - as of May 31, 2019



Europe

Stock Index	Last	1-Month	3-Month	YTD	1-Year
STOXX	369	-4.94%	0.67%	11.48%	-0.80%
FTSE 100	7162	-2.87%	2.66%	8.83%	-2.54%
DAX	11727	-5.00%	1.83%	11.06%	-6.97%
CAC 40	5208	-5.72%	1.01%	11.94%	-1.23%
Portugal	5044	-6.43%	-2.73%	6.61%	-7.77%
Italy	19802	-9.50%	-4.15%	8.07%	-9.10%
Ireland	6080	-5.60%	0.88%	12.61%	-13.16%
Greece	830	7.51%	17.50%	35.55%	11.74%
Spain	9004	-5.88%	-2.09%	6.85%	-1.57%
Russia	2665	4.14%	7.25%	13.01%	15.74%

5/31/2019

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

Fixed Income Investors

Supplemental Data - as of May 31, 2019

International

Stock Index	Last	1-Month		3-Month		YTD		1-Year	
MSCI EAFE	1817	-4.80%		-1.51%		7.64%		-5.75%	
MSCI EM	998	-7.26%		-4.51%		4.10%		-8.70%	
MSCI FM	550	2.16%		3.58%		9.37%		-1.07%	
MSCI FM100	1212	1.70%		3.34%		9.97%		-0.43%	

5/31/2019

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

Fixed Income Investors

Important Disclosures

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