

NYL Investors LLC

Fixed Income Investors

May 2020

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Fixed Income Investors

Summary - as of May 31, 2020

- The deteriorating relationship between the U.S. and China took center stage in May with the Trump administration being critical of China's handling of the coronavirus and Beijing's decision to impose a national security law on Hong Kong.
- The Congressional Budget Office ("CBO") does not expect U.S. GDP to reach their pre-coronavirus forecast until the fourth quarter of 2029.
- First quarter GDP was downgraded from -4.8% to -5.0%, lowering what was already the worst quarterly print since the fourth quarter of 2008. Second quarter GDP is expected to come in much worse, perhaps between -35% and -40%.
- In May, employers added 2.5 million jobs versus a consensus estimate of a loss of 7.5 million jobs. The unemployment rate unexpectedly declined from 14.7% to 13.3% while labor force participation increased from 60.2% to 60.8%.
- The results of the May employment report will most likely be subject to revisions and scrutiny over the validity of the data collection but are still a welcome surprise in a very chaotic and uncertain time.
- The ISM Non-Manufacturing Index, which covers approximately 70% of the economy, came in at 45.4 for May. While the below-50 reading still indicates a contraction in the economy, the 3.6-point monthly increase was the first improvement in four months.
- The technical backdrop for corporate credit continued to improve as the Federal Reserve's ("the Fed's") support for the asset class was clarified mid-month with their initial purchase of both Investment Grade and High Yield ETFs.
- High Grade Credit was the best performing sector in the Bloomberg Barclays U.S. Aggregate Index during May.
- The Bloomberg Barclays Credit Index generated 185 bps of excess returns as spreads rallied 27 bps to close the month at 164 bps. The Index has now recovered 177 bps from the widest print of the year.
- The Industrial and Non-corporate sectors outpaced the broader market generating 226 bps and 207 bps of excess returns, respectively.
- The Financial and Utility sectors experienced more modest performance during the month with 137 bps and 13 bps of excess returns, respectively.
- The ABS and CMBS components of the Index realized excess returns of 101 bps and 86 bps, respectively, while MBS was essentially unchanged at 3 bps.
- High Grade Corporate new issue volume reached \$261 billion during the month, marking the second highest monthly volume on record. 2020 volumes have now surpassed \$1 trillion and are just shy of eclipsing 2019's total volumes in just five months.

Source: Bloomberg, NYL Investors, Barclays – June 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 May 31, 2020

The deteriorating relationship between the U.S. and China took center stage during May. The Trump administration has become increasingly critical of China's handling of the coronavirus as well as Beijing's decision to impose a national security law on Hong Kong, impinging on the freedom of the semi-autonomous area. So far financial markets have been relatively immune to the rhetoric, concentrating more on the Phase I trade deal that appears to remain intact. The death toll from the COVID-19 pandemic stands at approximately 383,000 worldwide with the most deaths (110,000) coming from the U.S. The impact on the U.S. economy has also been quite devastating. The Congressional Budget Office ("the CBO") recently downgraded their 2020-2030 U.S. economic projection by a cumulative \$7.9 trillion due to the coronavirus pandemic. The CBO does not expect U.S. GDP to reach their pre-coronavirus forecast until the fourth quarter of 2029. As of June 1st, each state has at least partially re-opened, hoping to provide a boost to local businesses and arrest the economic freefall we have seen over the past ten weeks.

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

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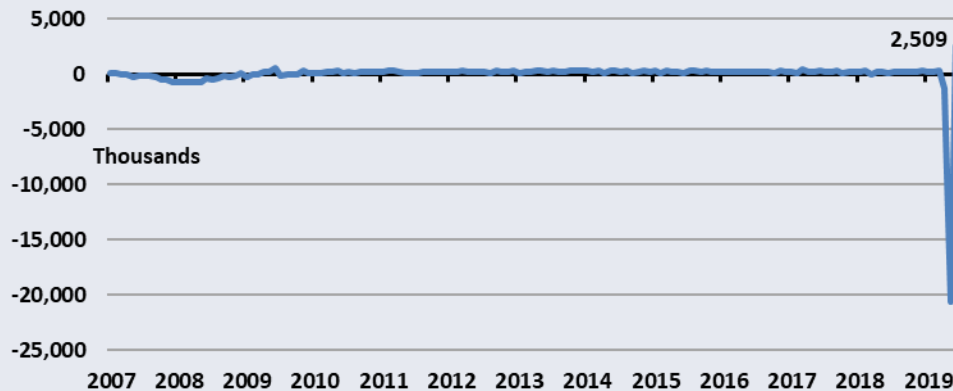
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Fixed Income Investors

Market Review - as of May 31, 2020

During May, first quarter GDP was downgraded from -4.8% to -5.0%, lowering what was already the worst quarterly print since the fourth quarter of 2008. Second quarter GDP is expected to come in much worse, perhaps between -35% and -40%. Over the past ten weeks, over 40 million Americans have filed for unemployment. While job losses during the month of April reached a post-Great Depression high of 20.5 million jobs lost, continuing claims in the week ended May 23rd fell for the first time since February, leading to a huge upside surprise in the May employment report. Employers added 2.5 million jobs versus a consensus estimate of a loss of 7.5 million jobs during the month. The unemployment rate unexpectedly declined from 14.7% to 13.3% while labor force participation increased from 60.2% to 60.8%. The results of the May employment report will most likely be subject to revisions and scrutiny over the validity of the data collection but are still a welcome surprise in a very chaotic and uncertain time. The ISM Non-Manufacturing Index, which covers approximately 70% of the economy, came in at 45.4 for May. While the below-50 reading still indicates a contraction in the economy, the 3.6-point monthly increase was the first improvement in four months after hitting a record low in April. Inflation continues to remain well below the Federal Reserve's ("the Fed's") 2% target. Core PCE Deflator (YoY) came in at 1.0% during April, bringing the most recent three-month average to 1.5%. Our expectation is for inflation to remain below 2% for the remainder of 2020.

**Change in Nonfarm Payrolls
(Total MoM Net Change)**



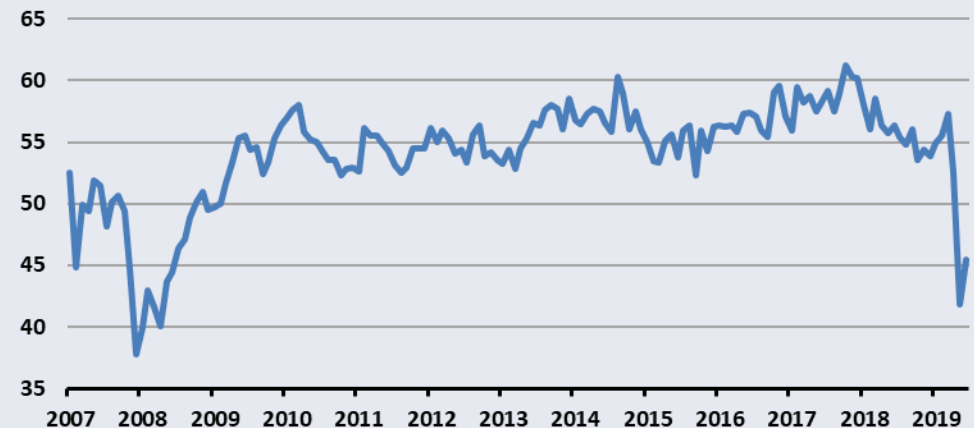
Source: U.S. U-6 Unemployed & Part Time & Margin % Labor Force & Margin SA, June 2020

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

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ISM Non-Manufacturing NMI



Source: Bloomberg, June 2020

Fixed Income Investors

Market Review - as of May 31, 2020

The interest rate curve steepened, led by the long end, during May. The ten-year part of the curve moved 1 bp higher while the 30-year part of the curve moved 12 bps higher. High Grade Credit was the best performing sector in the Bloomberg Barclays U.S. Aggregate Index during the month. Within securitized products, ABS produced 101 bps of excess return, outperforming both MBS and CMBS.

US Treasury Yields

Term	5/31/2020	Change vs. 1 Month Ago	Change vs. 3 Months Ago	Change YTD	Change vs. 1 Year Ago
1Y	0.16%	2	-85	-141	-204
2Y	0.16%	-4	-75	-141	-176
3Y	0.19%	-5	-70	-141	-168
5Y	0.30%	-6	-63	-139	-161
7Y	0.50%	-4	-56	-133	-152
10Y	0.65%	1	-50	-126	-147
30Y	1.41%	12	-27	-98	-116
2s10s	49	5	26	14	29
10s30s	75	11	23	28	31

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

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

































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Fixed Income Investors

Market Review - as of May 31, 2020

High Grade Credit struggled to gain traction in the first two weeks of May, but spreads quickly tightened into month end, posting an impressive rally across nearly every sector. The Bloomberg Barclays Credit Index generated 185 bps of excess returns as spreads rallied 27 bps to close the month at 164 bps. The Index has now recovered 177 bps from the widest print of the year. The Industrial and Non-corporate sectors outpaced the broader market generating 226 bps and 207 bps of excess returns, respectively. Both the Financial and Utility sectors experienced more modest performance during the month with 137 bps and 13 bps of excess returns, respectively.

US Fixed Income Excess Returns

Index	1-Month	3-Month	YTD	1-Year
Credit Aaa	0.44% 	-0.75% 	-1.31% 	-0.59% 
Credit Aa	1.65% 	-2.79% 	-4.41% 	-2.56% 
Credit A	1.22% 	-3.09% 	-5.45% 	-2.27% 
Credit Baa	2.71% 	-6.46% 	-9.93% 	-5.16% 
Finance	1.37% 	-3.82% 	-5.76% 	-2.38% 
Industrial	2.26% 	-4.72% 	-8.14% 	-3.80% 
Utility	0.13% 	-4.95% 	-7.59% 	-4.28% 
Supranational	0.08% 	-0.38% 	-0.32% 	-0.23% 
Sovereign	5.89% 	-5.65% 	-9.82% 	-5.03% 

5/31/2020

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Market Review - as of May 31, 2020

Investor sentiment underwent a material shift during May, as coronavirus transmission rates declined and certain geographic regions began to exit lockdowns. Oil prices climbed steadily higher as the demand side of the equation is expected to improve after extremely challenging months in March and April. Furthermore, the Energy sector has experienced a pullback in supply, further improving the previous severe imbalance. In addition to the positive aspects of the re-opening, the technical backdrop for corporate credit continued to improve as the Fed's support for the asset class was clarified mid-month with their initial purchase of both Investment Grade and High Yield ETFs. The market is still eagerly waiting for the Fed's first purchase of single CUSIPs, but there are multiple obstacles which must be cleared before that can occur. Regardless, market participants take comfort in investing in asset classes which the Fed has indicated support for, and the Investment Grade corporate market has been a direct beneficiary.

The new issue calendar remains the focal point for credit investors as the Fed's monetary policy actions have vastly increased access to capital for corporations across the globe. Volumes reached \$261 billion during the month, marking the second highest monthly volume on record. 2020 volumes have now surpassed \$1 trillion and are just shy of eclipsing 2019's total volumes, a feat accomplished in just five months. Demand for the calendar remains robust despite the rally in credit spreads and still-suppressed all-in yields. Industrial issuers remain the most active in the market as they remain focused on solidifying balance sheet liquidity and terming out commercial paper or pre-funding near-term maturities. New issue concessions were more attractive at the start of May but quickly compressed as sentiment shifted in the latter half of the month. Expectations are beginning to moderate for June, and street estimates for issuance in the back half of 2020 are beginning to decline but remain subject to change based on market conditions.

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



















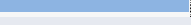



Fixed Income Investors

Market Review - as of May 31, 2020

The shift toward a more optimistic outlook resulted in further spread compression between lower-quality and higher-quality credit. Market participants grew increasingly comfortable with corporate America's ability to access capital, thereby removing fears over inability to meet near-term debt maturities. The entire credit curve shifted tighter with strong investor demand. Front-end spreads benefitted from the Fed's purchase program while the back end continued to attract all-in yield buyers domestically as well as globally.

Apart from MBS, securitized products experienced meaningful spread compression during May, as investors had capital to deploy with an improving macroeconomic sentiment and scarcity of assets. The ABS and CMBS components of the Index realized excess returns of 101 bps and 86 bps, respectively, while MBS was essentially unchanged at 3 bps. During the month, current coupon mortgage spreads widened about 5 bps in OAS and 9 bps on a zero-volume basis. Most of this widening occurred in the middle of the month due to continued supply of lower coupon mortgages (FN 2.0 and 2.5s) without ample demand as Fed purchases slowed. For example, the Fed purchased \$183.2 billion of 30-year conventional MBS for May settle (5/13/20) while having purchased just \$64.8 billion for June settle (6/11/20) by the end of May. Banks were the predominate buyers of MBS, as money managers rotated out of mortgages and into credit-based sectors given the relative under-performance in 2020. For example, excess returns for the MBS component of the Index stand at 30 bps and -31 bps on a three-month and YTD basis, respectively. For U.S. Investment Grade credit, these figures are -445 bps and -713 bps, respectively. The outperformance is almost entirely a function of Fed sponsorship and bank demand as deposits continue to grow at a rapid pace, and absent the Fed cleaning up the worst to deliver, the fundamental (prepayments) and technical (supply) backdrop for MBS is quite negative at these spread and interest rate levels.

US Fixed Income Excess Returns

Index	1-Month	3-Month	YTD	1-Year
Agg	0.60% 	-1.28% 	-2.24% 	-0.92% 
Agency	0.15% 	-0.65% 	-0.74% 	-0.51% 
Credit	1.85% 	-4.45% 	-7.13% 	-3.51% 
MBS	0.03% 	0.30% 	-0.31% 	0.41% 
ABS	1.01% 	-1.28% 	-1.04% 	-1.00% 
CMBS	0.86% 	-4.16% 	-4.20% 	-4.08% 
USD EM	4.63% 	-7.47% 	-11.40% 	-8.02% 

5/31/2020

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

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Continued limited issuance in ABS and CMBS in the wake of strong investor demand for paper drove spreads tighter during May. In ABS, spreads on AAA Cards and Autos tightened in the order of 25 bps and 50 bps, respectively, and now stand at pre-COVID levels of two-year S+15-20 bps for Cards and S+20-25 bps for prime Auto paper. Primary supply registered at \$7.9 billion in May, even lighter than March and April (\$9-9.5 billion), and issuance continues to be very concentrated in the Auto sector. Some issuers are likely holding out for the first subscription date of Term Asset-Backed Securities Loan Facility 2.0 (TALF 2.0), which is June 17th, but with all-in yields below funding costs of around 150 bps for most TALF 2.0-eligible sectors, the economics are not favorable for investors and subscription rates are therefore likely to be low. In CMBS, the story was similar with AAA last cashflow spreads tightening about 25 bps in May to S+130-135 bps. New issue kicked off with four deals pricing since the very beginning of March, which provided additional pricing transparency. Investors also gravitated toward the sector given the vast move in higher-quality industrial and financial corporate credit.

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Fixed Income Investors

Supplemental Data - as of May 31, 2020

US Fixed Income Total Returns

Index	1-Month	3-Month	YTD	1-Year
Agg	0.47%	1.65%	5.47%	9.42%
Treasury	-0.25%	3.28%	8.61%	11.36%
Agency	0.18%	1.68%	4.86%	7.33%
Credit	1.63%	-0.77%	2.94%	9.54%
MBS	0.12%	1.82%	3.60%	6.53%
ABS	1.09%	0.33%	2.23%	4.01%
CMBS	1.06%	-0.90%	3.51%	6.18%
USD EM	4.61%	-4.14%	-2.85%	3.18%

5/31/2020

US Fixed Income Total Returns

Index	1-Month	3-Month	YTD	1-Year
Credit Aaa	0.40%	1.99%	5.48%	8.56%
Credit Aa	1.34%	0.85%	5.47%	10.14%
Credit A	0.96%	0.65%	4.82%	11.04%
Credit Baa	2.50%	-2.64%	0.56%	8.43%
Finance	1.34%	-0.56%	2.53%	8.55%
Industrial	1.94%	-0.78%	2.89%	10.44%
Utility	-0.43%	-0.44%	5.88%	12.92%
Supranational	0.23%	1.86%	4.55%	6.65%
Sovereign	5.53%	-1.42%	2.29%	10.50%




































5/31/2020

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




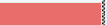
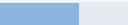
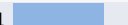
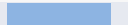



































Fixed Income Investors

Supplemental Data - as of May 31, 2020

US Fixed Income Spreads

Index	5/31/2020	Change vs. 1 Month Ago	Change vs. 3 Months Ago	Change YTD	Change vs. 1 Year Ago
Agg	76 	2 	26 	37 	27 
Agency	23 	-9 	10 	13 	11 
Credit	164 	-27 	47 	74 	44 
MBS	73 	34 	19 	34 	29 
ABS	111 	-48 	74 	67 	79 
CMBS	158 	-14 	85 	86 	91 
USD EM	448 	-171 	83 	147 	132 

US Fixed Income Spreads

Index	5/31/2020	Change vs. 1 Month Ago	Change vs. 3 Months Ago	Change YTD	Change vs. 1 Year Ago
Credit Aaa	32 	-6 	11 	15 	12 
Credit Aa	96 	-26 	26 	44 	28 
Credit A	131 	-21 	37 	61 	33 
Credit Baa	230 	-38 	69 	105 	64 
Finance	174 	-29 	67 	94 	58 
Industrial	176 	-31 	45 	77 	40 
Utility	161 	-7 	45 	64 	39 
Supranational	19 	-4 	12 	11 	11 
Sovereign	206 	-56 	64 	102 	64 

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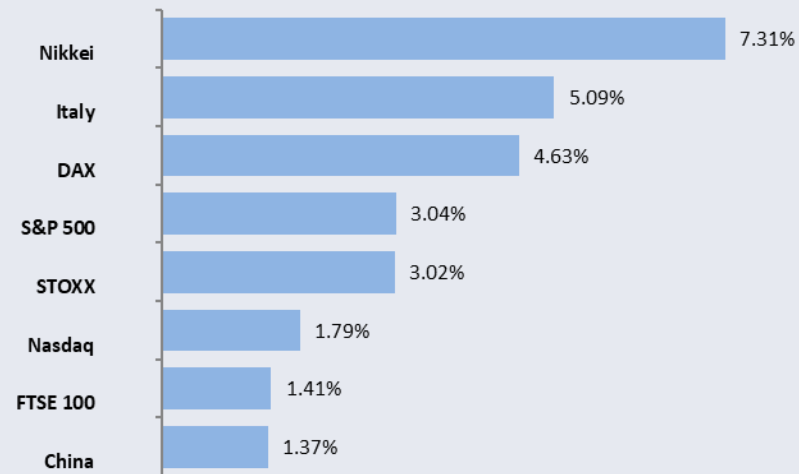
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Global Equity Returns

Stock Index	5/31/2020	1-Month	3-Month	YTD	1-Year
S&P 500	3044	3.04%	4.76%	-4.97%	11.62%
Nasdaq	9490	1.79%	6.89%	6.22%	27.08%
STOXX	350	3.02%	3.40%	-14.72%	-3.33%
FTSE 100	6077	1.41%	3.34%	-18.23%	-12.07%
DAX	11587	4.63%	6.68%	-12.55%	-2.12%
Italy	18198	5.09%	2.87%	-22.58%	-9.01%
Nikkei	21878	7.31%	8.34%	-6.58%	6.51%
China	2852	1.37%	-0.27%	-6.48%	-2.14%

1-Month Performance









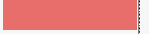
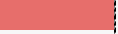












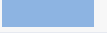
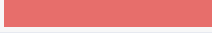
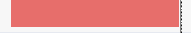

















5/31/2020

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

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Supplemental Data - as of May 31, 2020

Europe

Stock Index	Last	1-Month	3-Month	YTD	1-Year
STOXX	350	3.40% 	-5.86% 	-14.72% 	-2.99% 
FTSE 100	6077	3.34% 	-7.03% 	-18.23% 	-11.85% 
DAX	11587	6.68% 	-2.55% 	-12.55% 	-1.19% 
CAC 40	4695	3.19% 	-10.94% 	-20.80% 	-8.56% 
Portugal	4331	1.09% 	-9.13% 	-16.94% 	-14.14% 
Italy	18198	2.87% 	-17.22% 	-22.58% 	-8.10% 
Ireland	5889	4.87% 	-7.08% 	-17.22% 	-1.76% 
Greece	653	3.95% 	-9.27% 	-28.31% 	-18.74% 
Spain	7097	2.57% 	-18.20% 	-25.08% 	-18.91% 
Russia	2735	3.18% 	-1.80% 	-10.21% 	2.61% 

5/31/2020

International

Stock Index	Last	1-Month	3-Month	YTD	1-Year
MSCI EAFE	1725	4.35% 	-3.73% 	-14.26% 	-2.81% 
MSCI EM	930	0.77% 	-6.95% 	-15.96% 	-4.39% 
MSCI FM	473	5.73% 	-11.93% 	-17.16% 	-10.63% 
MSCI FM100	1025	4.65% 	-13.17% 	-18.39% 	-11.82% 

5/31/2020

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

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Important Disclosures

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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.

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