NYL Investors LLC
Fixed Income Investors

November 2018

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 November 30, 2018

- The month of November was marked by a dramatic fall in oil prices. This steep drop in oil threw financial markets into a tailspin, dragging down returns for both fixed income and equities.
- At the G-20 meeting, the Trump administration agreed to delay raising tariffs from 10% to 25% for 3 months.
- The October employment report came in well above consensus with Non-Farm Payrolls (NFP) printing at +250k versus an expectation of +200k.
- High Grade Credit suffered further spread widening in November as volatility remains elevated across risky assets.
- The Bloomberg Barclays Credit Index was 17 bps wider during the month, resulting in 107 bps of negative excess return.
- The utility and industrial sub-sectors lagged the broad market, generating -173 bps and -124 bps of excess return, respectively.
- The finance and non-corporate sectors generated -101 bps and -42 bps of excess return, respectively.
- Issuers were faced with materially weaker conditions throughout the month, culminating in a lack of demand and wider new issue concessions.
- CMBS and ABS returned -26 bps and -2 bps of excess return, respectively.
- MBS was the best performing sector in the Bloomberg Barclays U.S. Aggregate Index.

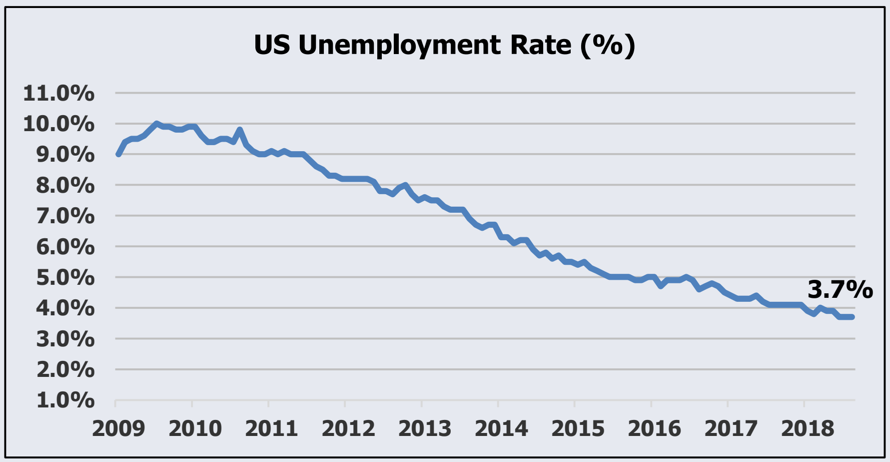
Source: Bloomberg, NYL Investors, Barclays – December 2018.
Past performance is not indicative of future results.
CMBS – Commercial Mortgage-Backed Securities
ABS – Asset –Backed Securities

Fixed Income Investors

Market Review - as of November 30, 2018

The month of November was marked by a dramatic fall in oil prices. Driven by an overabundance of supply and weening global demand, crude oil dropped closed to 22%, suffering its worst month in a decade. The steep drop in oil threw financial markets into a tailspin, dragging down returns for both fixed income and equities. Several other headline events captured the markets' attention as we made our way through the month. U.S. Midterm elections played out as expected with Democrats taking the house and the GOP holding the senate. Towards the end of the month, it was announced that President Trump would meet with Chinese President Xi on Saturday, December 1st at the G-20 meeting in Argentina to discuss the trade situation between the two superpowers. Ultimately, the Trump administration agreed to delay, for 3 months, raising tariffs from 10% to 25%. In exchange, the Chinese administration agreed to purchase more U.S. agricultural and industrials goods as well as strengthen regulation around synthetic opioids. During the 3-month delay, both administrations hope to work out an agreement on some of the more difficult topics such as IP theft, cyberespionage and forced transfer of U.S. technology.

A strong employment picture continues to be the engine driving economic growth. The October employment report came in well above consensus with Non-Farm Payrolls (NFP) printing at +250k versus an expectation of +200k. The strong print brings the most recent 3 month moving average up to 218k, well above what's needed to maintain the 3.7% unemployment rate. Average hourly earnings rose 3.1% (YoY), marking the strongest YoY growth since 2009. Outside of employment, other economic indicators have weakened. Momentum in the housing sector has begun to stall and durable goods came in below the estimate. While the below consensus readings are concerning, we expect the U.S. economy will grow at an annual rate of 3%+ for 2018.



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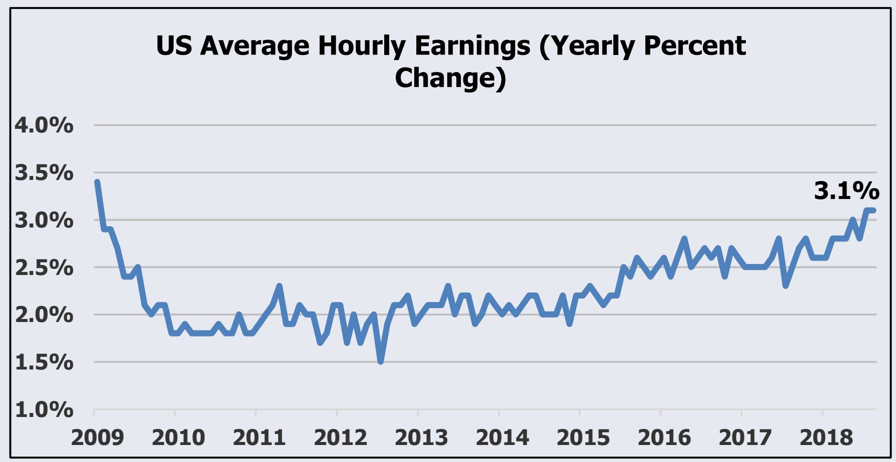

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Fixed Income Investors

Market Review - as of November 30, 2018

Interest rates moved lower during the month led by the belly of the curve. Seven-year notes rallied 17 bps while two-year notes finished the month 8 bps lower. Mortgage-backed securities were the best performing sector in the Bloomberg Barclays U.S. Aggregate Index during the month of November, outperforming Corporates, CMBS and ABS. The S&P 500 returned 1.8% in November bringing the year-to-date return for the index to 2.39%.

US Treasury Yields

Term	11/30/2018	Change vs. 1 Month Ago	Change vs. 3 Months Ago	Change YTD	Change vs. 1 Year Ago
1Y	2.68%	2	23	95	107
2Y	2.79%	-8	16	90	100
3Y	2.80%	-13	11	83	91
5Y	2.81%	-16	7	61	68
7Y	2.90%	-17	9	56	59
10Y	2.99%	-16	13	58	58
30Y	3.29%	-10	27	55	46
2s10s	20	-8	-3	-32	-43
10s30s	30	5	14	-3	-12

High Grade Credit suffered further spread widening in November as volatility remains elevated across risky assets. The Bloomberg Barclays Credit index was 17 bps wider during the month, resulting in 107 bps of negative excess return. The utility and industrial sub-sectors lagged the broad market generating -173 bps and -124 bps of excess return, respectively. The finance and non-corporate sectors generated -101 bps and -42 bps of excess return, respectively.

US Fixed Income Excess Returns

Index	1-Month	3-Month	YTD	1-Year
Credit Aaa	-0.06%	-0.01%	-0.09%	0.01%
Credit Aa	-0.52%	-0.45%	-0.62%	-0.38%
Credit A	-1.01%	-1.07%	-2.12%	-1.72%
Credit Baa	-1.45%	-1.49%	-2.21%	-1.77%
Finance	-1.01%	-0.98%	-1.79%	-1.46%
Industrial	-1.24%	-1.32%	-2.15%	-1.60%
Utility	-1.73%	-1.54%	-2.93%	-2.56%
Supranational	0.05%	0.06%	0.20%	0.19%
Sovereign	-0.70%	-1.03%	-1.77%	-2.13%

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Source: Bloomberg, NYL Investors, Barclays – December 2018.
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Fixed Income Investors

Market Review - as of November 30, 2018

Despite the relative strength of the U.S. economy, investors turned even more cautious during November. Growth concerns, rate uncertainty, steep declines in oil, and negative idiosyncratic issues across multiple high-grade names contributed to the weak trading narrative. Furthermore, liquidity deteriorated throughout the month as investor conviction into year-end remains stubbornly low. Although spreads are trading at year-to-date wides, and levels not seen since 2016, there is a distinct lack of demand within High Grade credit, which has exacerbated spread widening in nearly every sub-sector. Energy came under intense pressure as oil declined over 20% from its recent peak, and spread performance deteriorated sharply.

Disruptions across the secondary market took its toll on the new issue calendar. Issuers were faced with materially weaker conditions throughout the month, culminating in lack of demand and wider new issue concessions. New issues also faced poor performance in the secondary market, putting further pressure on spreads. Poor investor demand and wider spreads pushed many potential issuers to the sidelines, resulting in lower new issue volumes. Industrial issuance comprised more than 50% of the monthly volume, leading to a worsening of the technical headwinds in the sector.

Credit curves steepened in November as investors gravitated towards shorter duration paper, while eschewing the back end of the curve. Both single-A and Baa rated credit experienced decisively negative excess returns during the month as investors sought stability in Treasuries and select exposure in the structured product universe.

Investment Grade credit has experienced the worst excess returns since 2011, testing investor conviction in the asset class. The fundamentals and technicals within High Grade are highly misaligned, and the market is struggling to identify the next positive catalyst. Issuers are likely to delay issuance until 2019 in hopes of a better operating environment, but any hope for a recovery of spreads seemingly disappeared with November performance. We look to January for better indications of investor sentiment and a possible retracement in the battered sector.

Source: Bloomberg, NYL Investors, Barclays – December 2018.
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Fixed Income Investors

Market Review - as of November 30, 2018

Agency MBS excess returns ended the month of November unchanged, outperforming other structured product asset classes. CMBS and ABS returned -26 bps and -2 bps, respectively. MBS underperformed through most of November as rate volatility spiked twice during the month. The sector's performance recovered as rate volatility subsided by month end. Lower coupons outperformed most premium coupons in the agency MBS universe, as interest rates rallied through the month. Within CMBS, spreads widened in sympathy with the corporate sector. Risk reduction in CMBS continued in November, as lower quality and longer duration issues underperformed. ABS spread widening was muted as consumer credit fundamentals remain firm across the sector. Consumer credit fundamentals backing most ABS issues remain sound.

US Fixed Income Excess Returns

Index	1-Month	3-Month	YTD	1-Year
Agg	-0.32%	-0.41%	-0.66%	-0.50%
Agency	-0.04%	-0.02%	0.03%	0.02%
Credit	-1.07%	-1.10%	-1.85%	-1.47%
MBS	0.00%	-0.26%	-0.43%	-0.27%
ABS	-0.02%	0.03%	0.20%	0.20%
CMBS	-0.26%	-0.41%	-0.01%	0.19%
USD EM	-1.10%	0.05%	-2.72%	-2.56%

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Source: Bloomberg, NYL Investors, Barclays – December 2018.
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Supplemental Data - as of November 30, 2018

US Fixed Income Total Returns

Index	1-Month	3-Month	YTD	1-Year
Agg	0.60%	-0.84%	-1.79%	-1.34%
Treasury	0.89%	-0.53%	-1.27%	-0.96%
Agency	0.62%	0.03%	-0.08%	0.04%
Credit	-0.07%	-1.80%	-3.56%	-2.79%
MBS	0.90%	-0.35%	-0.81%	-0.49%
ABS	0.38%	0.41%	0.98%	1.00%
CMBS	0.66%	-0.39%	-0.82%	-0.54%
USD EM	-0.16%	-0.22%	-3.77%	-3.40%

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US Fixed Income Total Returns

Index	1-Month	3-Month	YTD	1-Year
Credit Aaa	0.67%	-0.15%	-0.66%	-0.37%
Credit Aa	0.40%	-1.05%	-2.07%	-1.48%
Credit A	0.02%	-1.84%	-3.96%	-3.13%
Credit Baa	-0.39%	-2.26%	-4.15%	-3.29%
Finance	-0.12%	-1.28%	-2.86%	-2.29%
Industrial	-0.16%	-2.23%	-4.25%	-3.23%
Utility	-0.45%	-3.02%	-5.96%	-4.91%
Supranational	0.63%	0.32%	0.34%	0.36%
Sovereign	0.49%	-2.17%	-4.24%	-4.08%

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Source: Bloomberg, NYL Investors, Barclays – December 2018.
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Fixed Income Investors

Supplemental Data - as of November 30, 2018

US Fixed Income Spreads

Index	11/30/2018	Change vs. 1 Month Ago	Change vs. 3 Months Ago	Change YTD	Change vs. 1 Year Ago
Agg	50	6	8	14	13
Agency	15	2	2	1	2
Credit	129	17	21	40	37
MBS	35	1	6	10	11
ABS	47	4	5	11	12
CMBS	77	7	13	15	13
USD EM	324	25	6	98	89

US Fixed Income Spreads

Index	11/30/2018	Change vs. 1 Month Ago	Change vs. 3 Months Ago	Change YTD	Change vs. 1 Year Ago
Credit Aaa	25	0	1	1	1
Credit Aa	74	9	10	19	17
Credit A	109	13	17	36	33
Credit Baa	177	25	30	53	49
Finance	132	20	24	47	45
Industrial	141	19	24	43	38
Utility	132	20	20	40	38
Supranational	14	-1	-1	-3	-3
Sovereign	149	10	15	44	49

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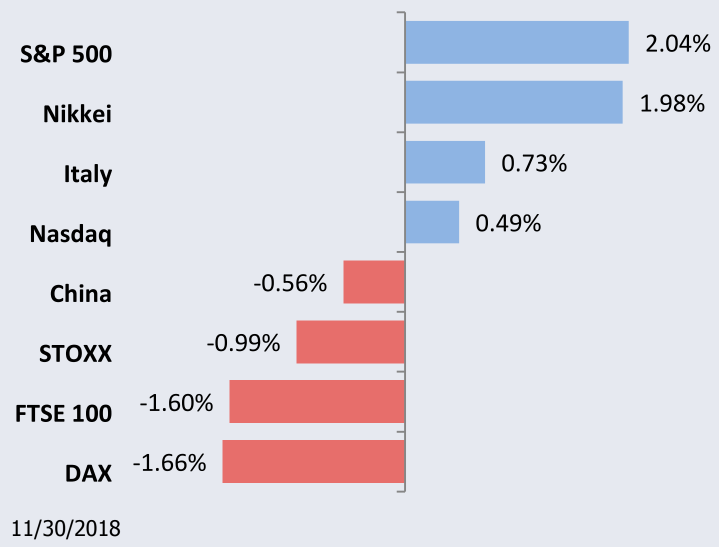
Supplemental Data - as of November 30, 2018

Global Equity Returns

Stock	11/30/2018	1-Month	3-Month	YTD	1-Year
S&P 500	2760	2.04%	-4.40%	5.11%	6.27%
Nasdaq	7331	0.49%	-9.36%	7.24%	7.75%
STOXX	357	-0.99%	-6.16%	-5.62%	-4.94%
FTSE 100	6980	-1.60%	-5.26%	-5.43%	-0.67%
DAX	11257	-1.66%	-8.95%	-12.85%	-13.57%
Italy	19189	0.73%	-5.33%	-12.19%	-14.21%
Nikkei	22351	1.98%	-1.51%	-0.01%	0.31%
China	2588	-0.56%	-5.03%	-21.74%	-21.98%

1-Month Performance



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Fixed Income Investors

Supplemental Data - as of November 30, 2018

Europe

Stock	Last	1-Month	3-Month	YTD	1-Year
STOXX	357	-0.99%	-6.16%	-5.62%	-4.94%
FTSE 100	6980	-1.60%	-5.26%	-5.43%	-0.67%
DAX	11257	-1.66%	-8.95%	-12.85%	-13.57%
CAC 40	5004	-1.71%	-7.28%	-3.79%	-4.73%
Portugal	4914	-2.32%	-9.38%	-8.80%	-8.37%
Italy	19189	0.73%	-5.33%	-12.19%	-14.21%
Ireland	5819	-5.30%	-13.78%	-15.88%	-13.79%
Greece	630	-1.55%	-13.56%	-20.06%	-12.81%
Spain	9077	2.30%	-2.92%	-7.06%	-8.24%
Russia	2393	1.69%	1.99%	13.40%	13.89%

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International

Stock	Last	1-Month	3-Month	YTD	1-Year
MSCI EAFE	1810	-0.13%	-7.28%	-9.39%	-7.94%
MSCI EM	995	4.12%	-5.45%	-12.24%	-9.09%
MSCI FM	532	2.17%	-1.50%	-13.89%	-11.20%
MSCI FM100	1171	2.17%	-1.69%	-14.09%	-11.06%

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