

NYL Investors LLC

Fixed Income Investors

November 2019

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Fixed Income Investors

Summary - as of November 30, 2019

- The month of November was notable for the progress that was made on the proposed trade deal between the U.S. and China.
- While the framework of the deal between the U.S. and China is in place, a signed agreement remains elusive as we inch closer to December 15th when an additional 15% in tariffs is scheduled to be imposed on \$160 billion worth of consumer goods from China.
- October non-farm payroll report came in at 128k, stronger than the 85k that was expected. The September number was revised higher by 57k, bringing the total jobs added to 185k.
- The unemployment rate came in at 3.6%, staying close to 50-year lows. Average hourly earnings (YoY) increased by 3%, the fifteenth straight month of 3% growth which is a record dating back to 2006.
- The Bloomberg Barclays Credit Index generated 55 bps of excess return for the second straight month, bringing year-to-date excess returns to 498 bps, the best year since 2012.
- The Industrial and Financial sectors outpaced the broader index with 69 bps and 55 bps, respectively. The Utility and Non-corporate sectors generated 44 bps and 15 bps, respectively.
- The new issue calendar was easily absorbed during November with just \$102 billion in fixed rate supply. Strong investor participation resulted in extremely slim new issue concessions.
- ABS had modest excess returns of 7 bps, as lower primary issuance volumes in Cards (zero issuance in November) and Autos provided a tailwind to spreads as demand for short, high quality paper remains robust.
- CMBS experienced negative excess returns of -5 bps, weighed down by the Non-Agency sub component (-14 bps).
- MBS sector drove performance within Structured Products with excess returns of 19 bps for November.

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

Past performance is not indicative of future results.

MBS – Mortgage-Backed Securities

CMBS – Commercial Mortgage-Backed Securities

ABS – Asset-Backed Securities

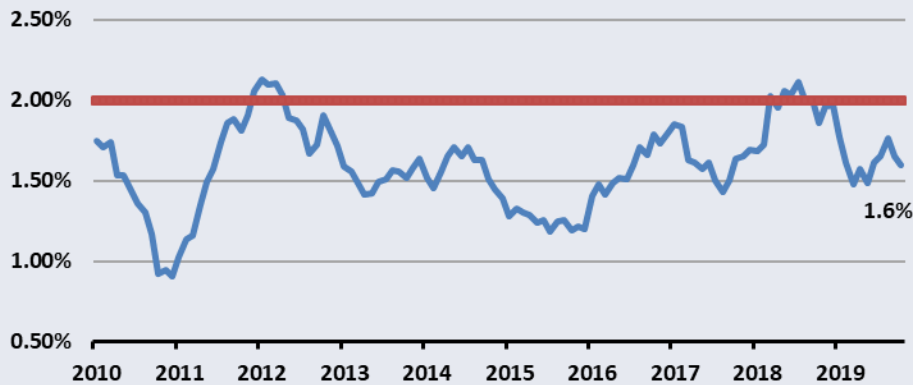
Fixed Income Investors

Market Review - as of November 30, 2019

The month of November was notable for the progress that was made on the proposed trade deal between the U.S. and China. The major road block to achieving a phase one trade deal has been the removal of existing tariffs on Chinese imports into the U.S. as well as the cancellation of the proposed tariffs expected to go into place on December 15th. For the first time in the negotiations, senior U.S. administration officials are considering removing the tariffs as part of the phase one agreement. In return, Chinese officials are expected to significantly increase their purchases of American farm goods while also implementing provisions to deter forced technology transfers and theft of intellectual property. While the framework of the deal is in place, a signed agreement remains elusive as we inch closer to December 15th when an additional 15% in tariffs is scheduled to be imposed on \$160 billion worth of consumer goods from China.

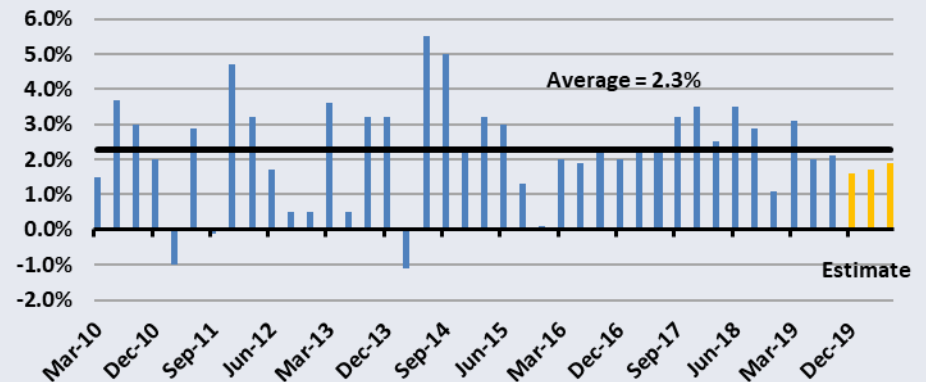
The October non-farm payroll report came in at 128k, stronger than the 85k that was expected. In addition, the prior month's number was revised higher by 57k, bringing the total jobs added for the month to 185k. The unemployment rate came in at 3.6%, staying close to 50-year lows. Average hourly earnings (YoY) increased by 3%, the fifteenth straight month of 3% growth which is a record dating back to 2006. Despite stronger than expected wage growth and record highs in household net worth, inflationary pressures remain muted. Core PCE inflation came in at 1.6% for the month of October, the thirteenth straight month below the Federal Reserve's 2% symmetric goal. Third quarter growth was revised up from 1.9% to 2.1%, bringing year-to-date growth for 2019 to approximately 2.4% through three quarters.

Core PCE Year-Over-Year



Source: Bloomberg, December 2019

US Real GDP (QoQ %)



Source: Bloomberg, December 2019

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

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During the month of November, interest rates moved higher and the curve flattened, led by the intermediate part of the curve. The one-year part of the curve moved 9 bps higher while the seven-year note closed 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, MBS produced 19 bps of excess return, outperforming both CMBS and ABS.

The rally in High Grade credit spreads continued during November as the Bloomberg Barclays Credit Index tightened by 5 bps, finishing the month at the tightest level of the year. The index generated 55 bps of excess return for the second straight month, bringing year-to-date excess returns to 498 bps, the best year since 2012. The Industrial and Financial sectors outpaced the broader index with 69 bps and 55 bps, respectively. The Utility and Non-corporate sectors generated 44 bps and 15 bps, respectively. The fundamental backdrop remains constructive as growth stabilized on the domestic front, resulting in a benign earnings season. Spreads continue to benefit from the strong technical backdrop as investor demand remains high and issuance volumes are modest. Furthermore, street wide inventory levels have been light leading to a healthy market dynamic.

US Fixed Income Excess Returns

Index	1-Month	3-Month	YTD	1-Year
Credit Aaa	0.14%	0.22%	0.92%	0.79%
Credit Aa	0.24%	0.70%	2.54%	2.15%
Credit A	0.52%	1.27%	4.28%	3.42%
Credit Baa	0.71%	2.00%	6.84%	5.52%
Finance	0.55%	1.42%	5.22%	4.39%
Industrial	0.69%	1.79%	5.77%	4.56%
Utility	0.44%	1.35%	3.66%	2.66%
Supranational	0.05%	-0.02%	0.39%	0.42%
Sovereign	0.36%	0.67%	5.72%	5.00%

11/30/19

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

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The new issue calendar was easily absorbed during November as there was just \$102 billion in fixed rate supply. Strong investor participation resulted in extremely slim new issue concessions, if any at all. Fund flows into the asset class have been robust throughout the year, creating a strong dynamic in which to absorb issuance, which has now surpassed 2018 totals. Issuance in December is likely to decline significantly as it is historically a seasonally light month for supply.

Lower quality credit compressed even further versus its higher quality counterparts during the month, a trend which has been consistent throughout the year. Triple-B credit has generated 684 bps of excess return through November, outpacing single-A credit by 256 bps. Credit curves were relatively stable during the month as spreads tightened in a parallel fashion across the curve.

Keep calm and carry on was the theme of Structured Products in the month of November. Progress on U.S.-China trade relations helped buoy spreads, but uncertainties around the ultimate resolution and its timing, coupled with fears of year-end volatility, prevented them from materially tightening. The Securitized portion of the index produced cumulative excess returns of 17 bps across ABS, CMBS, and MBS. The ABS sector had modest excess returns of 7 bps, as lower primary issuance volumes in Cards (zero issuance in November) and Autos provided a tailwind to spreads as demand for short, high quality paper remains robust. The CMBS portion of the index experienced negative excess returns of -5 bps, weighed down by the Non-Agency sub component (-14 bps). A large increase in conduit issuance pressured spreads, which have remained pegged in the +90-95/swaps context for the better part of six months. Conduit supply came in at \$8.7 billion, making November the largest month of private label CMBS (including SASB/CRE CLO) supply in the post-crisis era (surpassing May 2019).

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

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Market Review - as of November 30, 2019

The MBS sector drove performance within Structured Products with excess returns of 19 bps for November. Current coupon MBS tightened 5 bps in Treasury OAS and 3 bps in Treasury Zero Volatility on the back of lower volatility in the wake of easing trade tensions, bringing forth demand from money managers and other real money accounts. A more constructive outlook on spreads heading into lower seasonals also provided a tailwind for spreads. As ten-year rates rallied from 1.95% to 1.77%, convexity flows from servicers and originators also drove spreads tighter. Higher coupons (4.0s and higher) generally underperformed as investors sought coupons with more duration, and the flattening of the 2s/10s curve also weighed on shorter duration MBS. The GNMA sector (5 bps excess returns) underperformed Conventionals (25 bps excess returns), as overseas and bank demand subsided into the rally in rates. The 15-year sector performed roughly in line with 30-years despite the flattening in the curve, as banks and money managers looked to allocate capital to the space after several months of underperformance.

US Fixed Income Excess Returns

Index	1-Month	3-Month	YTD	1-Year
Agg	0.22%	0.59%	1.56%	1.23%
Agency	0.11%	0.07%	0.54%	0.47%
Credit	0.55%	1.47%	4.98%	4.04%
MBS	0.19%	0.52%	0.22%	0.07%
ABS	0.07%	0.00%	0.77%	0.69%
CMBS	-0.05%	0.06%	1.79%	1.39%
USD EM	0.41%	1.64%	4.18%	3.46%

11/30/2019

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Supplemental Data - as of November 30, 2019

US Treasury Yields

Term	11/30/2019	Change vs. 1 Month Ago	Change vs. 3 Months Ago	Change YTD	Change vs. 1 Year Ago
1Y	1.59%	9	-18	-101	-109
2Y	1.61%	9	11	-88	-117
3Y	1.61%	9	18	-85	-119
5Y	1.63%	11	24	-89	-119
7Y	1.73%	12	28	-86	-117
10Y	1.77%	8	28	-91	-121
30Y	2.21%	3	24	-81	-108
2s10s	16	0	17	-3	-4
10s30s	43	-6	-4	10	13

US Fixed Income Total Returns

Index	1-Month	3-Month	YTD	1-Year
Agg	-0.05%	-0.28%	8.79%	10.79%
Treasury	-0.30%	-1.08%	7.46%	9.77%
Agency	-0.07%	-0.35%	6.11%	7.61%
Credit	0.19%	0.10%	13.47%	15.18%
MBS	0.08%	0.51%	6.06%	7.98%
ABS	0.01%	0.14%	4.42%	5.25%
CMBS	-0.41%	-0.75%	8.56%	10.31%
USD EM	0.03%	0.60%	11.42%	12.94%

11/30/2019

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

Supplemental Data - as of November 30, 2019

US Fixed Income Total Returns

Index	1-Month	3-Month	YTD	1-Year
Credit Aaa	-0.09%	-0.44%	7.00%	8.69%
Credit Aa	-0.08%	-0.58%	10.52%	12.58%
Credit A	0.15%	-0.17%	12.95%	14.84%
Credit Baa	0.33%	0.54%	15.72%	17.20%
Finance	0.23%	0.44%	12.36%	13.73%
Industrial	0.29%	0.20%	15.06%	16.79%
Utility	-0.01%	-0.79%	14.92%	17.61%
Supranational	-0.12%	-0.22%	5.06%	6.44%
Sovereign	-0.07%	-1.17%	15.87%	18.42%

11/30/2019

US Fixed Income Spreads

Index	11/30/2019	Change vs. 1 Month Ago	Change vs. 3 Months Ago	Change YTD	Change vs. 1 Year Ago
Agg	44	-2	-4	-10	-6
Agency	9	-3	-1	-7	-6
Credit	100	-5	-14	-43	-29
MBS	45	-4	-2	10	10
ABS	38	-3	4	-15	-9
CMBS	70	0	0	-16	-7
USD EM	327	1	-8	-16	3

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

Supplemental Data - as of November 30, 2019

US Fixed Income Spreads

Index	11/30/2019	Change vs. 1 Month Ago	Change vs. 3 Months Ago	Change YTD	Change vs. 1 Year Ago
Credit Aaa	17	-3	-2	-9	-8
Credit Aa	57	-2	-6	-24	-17
Credit A	79	-5	-12	-39	-30
Credit Baa	140	-6	-18	-57	-37
Finance	91	-7	-16	-56	-41
Industrial	111	-6	-17	-46	-30
Utility	105	-3	-11	-39	-27
Supranational	7	-3	0	-6	-7
Sovereign	118	-4	-4	-43	-31

Global Equity Returns

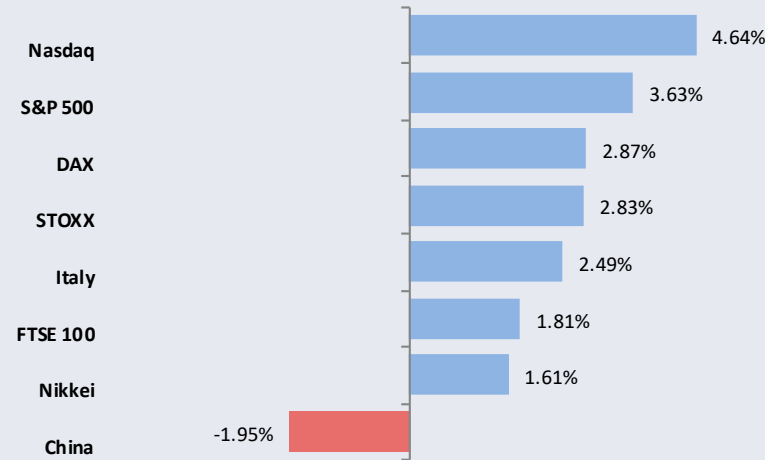
Stock Index	11/30/2019	1-Month	3-Month	YTD	1-Year
S&P 500	3141	3.63%	7.86%	27.63%	16.11%
Nasdaq	8665	4.64%	9.11%	31.91%	19.51%
STOXX	407	2.83%	7.74%	24.17%	17.39%
FTSE 100	7347	1.81%	2.87%	14.15%	10.16%
DAX	13236	2.87%	10.86%	25.36%	17.58%
Italy	23259	2.49%	9.08%	26.93%	21.21%
Nikkei	23294	1.61%	13.34%	18.67%	6.47%
China	2872	-1.95%	-0.49%	15.16%	10.96%

Source: Bloomberg, NYL Investors, Barclays – December 2019.
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Supplemental Data - as of November 30, 2019

1-Month Performance



11/30/2019

Europe

Stock Index	Last	1-Month	3-Month	YTD	1-Year
STOXX	407	2.83%	7.74%	24.17%	17.39%
FTSE 100	7347	1.81%	2.87%	14.15%	10.16%
DAX	13236	2.87%	10.86%	25.36%	17.58%
CAC 40	5905	3.11%	7.90%	27.58%	20.83%
Portugal	5127	0.15%	4.91%	8.37%	4.34%
Italy	23259	2.49%	9.08%	26.93%	21.21%
Ireland	6998	7.03%	19.45%	30.18%	22.61%
Greece	902	2.25%	3.95%	51.00%	47.39%
Spain	9352	1.17%	6.79%	12.80%	6.59%
Russia	2935	1.43%	7.13%	24.46%	22.69%

11/30/2019

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Supplemental Data - as of November 30, 2019

International

Stock Index	Last	1-Month	3-Month	YTD	1-Year
MSCI EAFE	1974	1.13%	7.76%	18.17%	12.44%
MSCI EM	1040	-0.14%	6.06%	10.21%	7.28%
MSCI FM	562	1.37%	0.19%	13.08%	9.77%
MSCI FM100	1254	2.77%	1.88%	15.20%	11.34%

11/30/2019

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