

NYL Investors LLC

Fixed Income Investors

November 2020

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Fixed Income Investors

Summary - as of November 30, 2020

- President-Elect Biden inherits an economy torn between increasing optimism on the vaccine rollout versus rising COVID infections which threaten to derail the economy in the short term.
- Multiple companies including Pfizer, Moderna, and AstraZeneca are on the cusp of rolling out viable vaccines with Pfizer set to release the first batch of their vaccine on December 15th, pending FDA Emergency Use Authorization.
- While we wait for the vaccine rollout, the immediate issue of rising COVID infections becomes a major concern for not only the economy but more importantly the welfare of people everywhere.
- In November, the second reading of third quarter GDP came in at an annualized rate of 33.1%, unchanged from the first reading. Many economists have revised their fourth quarter GDP estimates due to the recent uptick in coronavirus infections.
- The unemployment rate dropped to 6.7% from 6.9%, driven by the drop in labor force participation, which fell to 61.5%. Average hourly earnings surprised to the upside coming in at 4.4% (YoY) versus the 4.2% (YoY) consensus.
- The November prints of the ISM Economy Weighted Manufacturing & Non-Manufacturing Composite printed at 56.1. The above-50 reading signals expansion in both the service and manufacturing sectors.
- The Federal Reserve (“the Fed”) held the target range for the federal funds rate steady at 0.00%-0.25%, maintained their forward guidance, and left their asset purchase program unchanged.
- The five-year, five-year USD inflation swap rate, a commonly used indicator of inflation expectations, has risen to over 2.2%, the highest reading since April 2019.
- High Grade Credit was the best performing sector in the Bloomberg Barclays U.S. Aggregate Index during the month, producing 211 bps of excess return.
- The Industrial, Utility, and Financial sectors drove performance with 261 bps, 255 bps, and 169 bps of excess return, respectively. The Non-corporate sector lagged once again in the month generating just 82 bps of excess return.
- Within Securitized Products, CMBS, MBS, and ABS produced 60 bps, -1 bp, and 11 bps of excess return, respectively.
- The new issue calendar was modestly higher in November with \$95 billion in fixed-rate supply. Issuers continue to enjoy overwhelming support for the deal flow resulting in suppressed new issue concessions and challenging allocations.
- December issuance will likely be modest but enough to surpass the \$1.8 trillion annual mark, surpassing 2017’s previous record by nearly \$500 billion.
- Market participants continue to hunt for incremental spread and yield, thereby putting further downward pressure on BBB-rated companies.
- 30-year credit outperformed with 10/30’s credit curves flattening in a material fashion, a dynamic which the market has not witnessed this year.

Source: Bloomberg, NYL Investors, Barclays – December 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 November 30, 2020

The tumultuous cycle leading up to Election Day 2020 culminated with a victory for President-Elect Biden. While the Trump Administration has vowed to use the legal system to continue its fight versus potential voter fraud claims, it appears very unlikely to yield any results. President-Elect Biden inherits an economy torn between increasing optimism on the vaccine rollout versus rising COVID infections which threaten to derail the economy in the short term. Multiple companies including Pfizer, Moderna, and AstraZeneca are on the cusp of rolling out viable vaccines. Pfizer is set to release the first batch of their vaccine on December 15th, pending FDA Emergency Use Authorization (EUA) which should be finalized on December 10th. Even with EUA approval from the FDA, the logistical challenge of distributing hundreds of millions of doses to the general public will be an enormous challenge which will most likely take six to 12 months to complete. While we wait for the vaccine rollout, the immediate issue of rising COVID infections becomes a major concern for not only the economy but more importantly the welfare of people everywhere. During the month of November, the total number of coronavirus cases in the U.S. exceeded four million, more than double the previous record set in October. This brings the total number of infections and deaths in the U.S. to over 13.3 million and 267,000, respectively. While advisors close to President-Elect Biden have rejected another national lockdown, the measure cannot be ruled out if COVID infections continue to rise at an alarming rate.

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

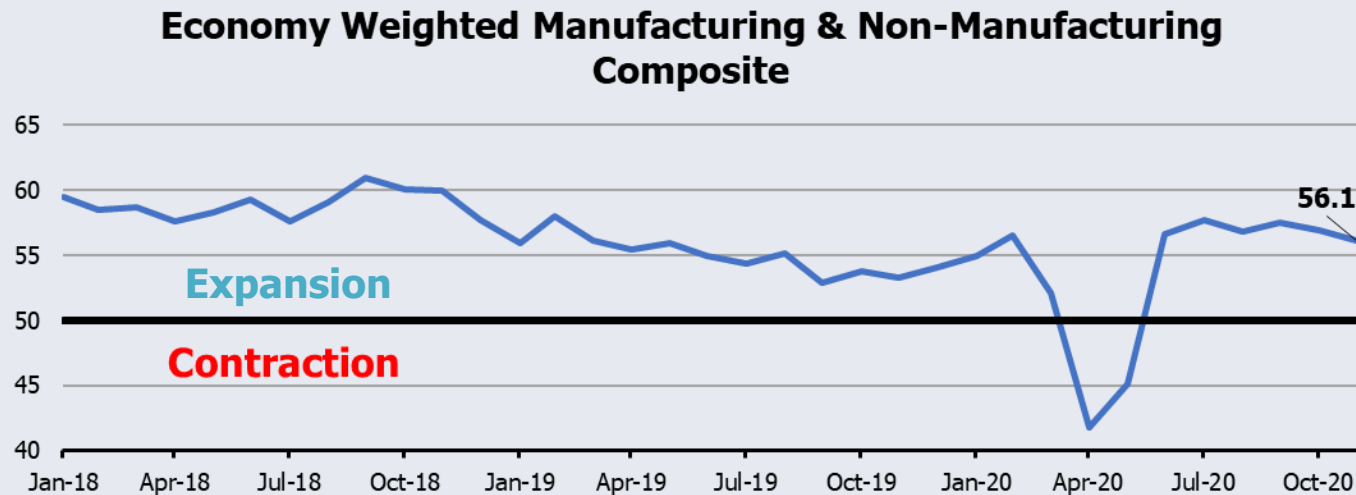
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Market Review - as of November 30, 2020

In November, the second reading of third quarter GDP came in at an annualized rate of 33.1%, unchanged from the first reading. Driven by strong growth in nonresidential and residential fixed investment, the largest quarterly expansion on record recovered much of the growth lost during the first half of the year. With the recent uptick in coronavirus infections, many economists have revised their fourth quarter GDP estimates. The consensus estimate now calls for a contraction of 2.7%, with growth returning in the first half of 2021 as vaccines become more widely distributed to the general public. During the month of November, the economy added 245k jobs, below the estimate of 460k. The unemployment rate dropped to 6.7% from 6.9%, driven by the drop in labor force participation, which fell to 61.5%. Average hourly earnings surprised to the upside coming in at 4.4% (YoY) versus the 4.2% (YoY) consensus. The November prints of the ISM Economy Weighted Manufacturing & Non-Manufacturing Composite printed at 56.1. The above-50 reading signals expansion in both the service and manufacturing sectors. The new orders sub-component, an important indicator of future activity, continues to drive the expansion, coming in at 61.2.



Source: Bloomberg, December 2020

Note: The Manufacturing & Non-Manufacturing ISM is calculated by Bloomberg by applying the real value added by the manufacturing industry by year to the manufacturing index and giving the remainder percent to the non-manufacturing index.

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

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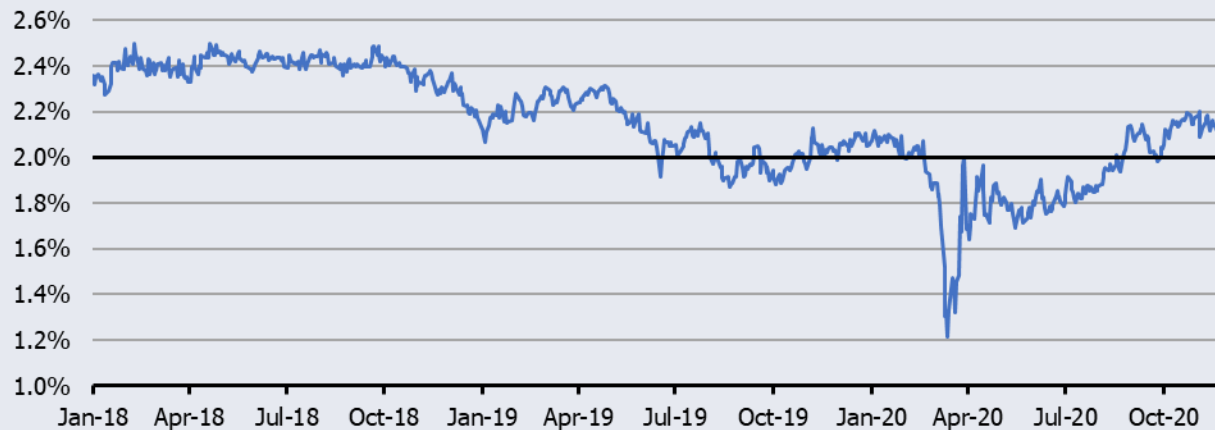
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Market Review - as of November 30, 2020

The Federal Reserve ("the Fed") held their latest monetary policy meeting on November 4th and 5th. As expected, they held the target range for the federal funds rate steady at 0.00%-0.25%, maintained their forward guidance, and left their asset purchase program unchanged. The Fed's last meeting of the year will be held on December 15th and 16th. At this meeting, we expect they will release their latest statement of economic projections along with two new charts showing how their view on market risk has evolved over the past several years. The main question going into the meeting is whether the Fed will extend their asset purchases from Treasury bills to the longer end of the treasury curve, further suppressing risk premium and keeping interest rates low. Our expectation is for the Fed to engage in Quantitative Easing (QE) Weighted Average Maturity (WAM) extension if they see increased turmoil in the markets and feel they are losing control of interest rates. We do not think a gradual rise in interest rates due to higher growth and inflation expectations will prompt the Fed to make changes. A rapid rise in interest rates driven by the deluge of Treasury supply overwhelming the market is more likely to force the Fed into action. The Fed believes raising inflation expectations will drive actual inflation higher, allowing them to achieve their 2% average inflation goal. While Core PCE Deflator (YoY) remains muted at 1.4%, inflation expectations have recently moved higher. The five-year, five-year USD inflation swap rate, a commonly used indicator of inflation expectations, has risen to over 2.2%, the highest reading since April 2019.

USD Inflation Swap Forward 5Y5Y



Source: Bloomberg, December 2020

Note: This is the 5-year, 5-year USD inflation swap rate. This rate is a common measure, which is used by central banks and dealers, to look at the market's future inflation expectations.

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Market Review - as of November 30, 2020

Interest rates moved lower and the curve was flatter during November, led by the long end. The two-year part of the curve was unchanged while the thirty-year part of the curve moved 9 bps lower. High Grade Credit was the best performing sector in the Bloomberg Barclays U.S. Aggregate Index during the month, producing 211 bps of excess return. Within Securitized Products, CMBS produced 60 bps of excess return, outperforming the MBS and ABS sectors.

US Treasury Yields

Term	11/30/2020	Change vs. 1 Month Ago	Change vs. 3 Months Ago	Change YTD	Change vs. 1 Year Ago
1Y	0.11%	-1	-1	-146	-148
2Y	0.15%	0	2	-142	-146
3Y	0.19%	-1	4	-142	-142
5Y	0.36%	-2	9	-133	-127
7Y	0.61%	-3	12	-122	-112
10Y	0.84%	-3	13	-108	-94
30Y	1.57%	-9	9	-82	-64
2s10s	69	-3	12	34	53
10s30s	73	-6	-4	26	30

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

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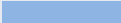
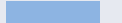


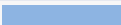
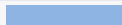

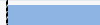
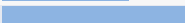
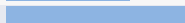


















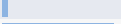
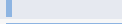


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Fixed Income Investors

Market Review - as of November 30, 2020

The sustained rally in Investment Grade credit accelerated in November as the Bloomberg Barclays Credit Index tightened 19 bps, generating the second-best month of excess return for the year. The Index option-adjusted spread (OAS) closed at 100 bps, just 10 bps wide to the start of 2020 and 241 bps tighter than the wide print in March. The Industrial, Utility, and Financial sectors drove performance with 261 bps, 255 bps, and 169 bps of excess return, respectively. The Non-corporate sector lagged once again during November generating just 82 bps of excess return. The resolution of the U.S. election combined with the positive vaccine read-outs from multiple pharmaceutical companies was enough to offset the increasing rate of COVID-19 around the globe and ultimately ignited a resurgence of inflows to the asset class. The favorable technical backdrop has been the linchpin to this sustained rally and improved once again during the month as rates moved steadily off the lows of early November. Yield-sensitive investors, specifically overseas, flocked to the asset class to take advantage of modestly improved coupons. The technical bid to the market was tested mid-month when Treasury Secretary Mnuchin announced the Corporate Credit Facilities established in March would expire at year end. Although most market participants, us included, believed these facilities would be extended, there was no impact to spreads. The fourth quarter fundamental backdrop remains questionable as more measures are taken to confront the spread of the virus, but credit investors are seemingly looking past this possibility and into 2021 when vaccines will be more widely distributed and a return to more normal times should benefit top- and bottom-line growth.

US Fixed Income Excess Returns						
Index	1-Month	3-Month	YTD	1-Year		
Credit Aaa	0.47% 	0.60% 	-0.19% 	0.07% 		
Credit Aa	1.67% 	1.68% 	-0.46% 	0.19% 		
Credit A	1.78% 	2.21% 	0.07% 	1.08% 		
Credit Baa	2.75% 	3.49% 	-1.34% 	0.31% 		
Finance	1.69% 	2.28% 	0.77% 	1.76% 		
Industrial	2.61% 	3.18% 	-0.99% 	0.50% 		
Utility	2.55% 	3.17% 	-0.37% 	0.73% 		
Supranational	0.09% 	0.11% 	0.03% 	0.03% 		
Sovereign	1.57% 	2.08% 	-2.37% 	-0.44% 		

11/30/2020

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Market Review - as of November 30, 2020

The new issue calendar was modestly higher in November with \$95 billion in fixed-rate supply. Issuers continue to enjoy overwhelming support for the deal flow resulting in suppressed new issue concessions and challenging allocations, especially for those credits with incrementally higher coupons. Deals have largely been funded through positive flows into the asset class, which has equated to very limited selling from end investors. This dynamic has supported secondary spread levels and seems unlikely to abate any time soon. November's supply was evenly distributed across Financial and Industrial issuers, but the maturity profile of the calendar was once again skewed toward longer-duration maturities. As is normally the case, December issuance will likely be modest but enough to surpass the \$1.8 trillion annual mark, surpassing 2017's previous record by nearly \$500 billion.

The risk-on mentality which accelerated in the month of November was clearly evidenced in the performance by credit quality and maturity profile. Market participants continue to hunt for incremental spread and yield, thereby putting further downward pressure on BBB-rated companies. The difference between A-rated and BBB-rated industrials compressed further during the month as the technical and fundamental backdrops offered investors more confidence to move down the credit spectrum. 30-year credit outperformed with 10/30's credit curves flattening in a material fashion, a dynamic which the market has not witnessed this year. Despite the heavy amount of 30-year issuance, both domestic and foreign investors pushed out the maturity profile of their purchases in order to realize healthier coupons. If the yield curve can continue to move higher and steeper, this will almost certainly be a focus for market participants as we head into 2021.

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





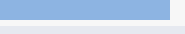
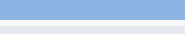














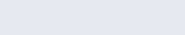
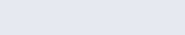


Market Review - as of November 30, 2020

Overall, November performance within Securitized Products was lackluster at the Bloomberg Barclays U.S. Aggregate Index level, generating just 4 bps in excess return across MBS, ABS, and CMBS. Performance was largely weighed down by MBS (by far the largest Securitized Products component) as excess return was -1 bp. The outperformance of lower coupons (2.0s and 2.5s) was negated by the underperformance of 3.0s-4.0s as investor emphasis remains in lower coupons given dollar prices, duration, elevated prepayments, and Fed involvement. Higher coupons lack sponsorship from the two largest buyers of MBS, the Fed and banks, and trade at dollar prices which translate into negative current carry based on realized prepayment speeds.

The ABS sector continues to show signs of fatigue, generating just 11 bps of excess return in the month of November. OAS at the Index level closed the month just 10 bps away from the 2020 tightests reached on February 10th, when 2-year swap yields were just above 1.4%, which is about 100 bps higher than the current all-in yield on similar duration prime-Autos. At these levels, demand for generic ABS remains a function of putting excess cash to work and diversification away from front-end corporate credit.

Bolstered by the need for yield, duration, and the drastic move in corporate credit spreads, CMBS spreads tightened 10 bps in November, producing 60 bps of excess return. With Index level spreads over 20 bps from their mid-February tightests, private label CMBS supply down 46% from last year's levels, and additional fiscal stimulus seemingly on the horizon, it is likely this is a sector which remains well bid in the current rate environment.

US Fixed Income Excess Returns

Index	1-Month	3-Month	YTD	1-Year
Agg	0.69% 	0.86% 	-0.08% 	0.37% 
Agency	0.10% 	0.32% 	-0.22% 	-0.21% 
Credit	2.11% 	2.62% 	-0.67% 	0.54% 
MBS	-0.01% 	-0.03% 	-0.41% 	-0.06% 
ABS	0.11% 	0.30% 	0.90% 	0.85% 
CMBS	0.60% 	1.01% 	-0.30% 	-0.28% 
USD EM	2.77% 	2.11% 	-3.16% 	-1.04% 

11/30/2020

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


























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


































Supplemental Data - as of November 30, 2020

US Fixed Income Total Returns

Index	1-Month	3-Month	YTD	1-Year
Agg	0.98% 	0.48% 	7.36% 	7.28% 
Treasury	0.35% 	-0.46% 	8.25% 	7.64% 
Agency	0.23% 	0.13% 	5.37% 	5.15% 
Credit	2.55% 	2.04% 	8.85% 	9.17% 
MBS	0.07% 	-0.08% 	3.65% 	3.94% 
ABS	0.15% 	0.29% 	4.31% 	4.42% 
CMBS	0.78% 	0.66% 	7.32% 	7.05% 
USD EM	3.07% 	1.64% 	4.93% 	6.53% 

11/30/2020

US Fixed Income Total Returns

Index	1-Month	3-Month	YTD	1-Year
Credit Aaa	0.72% 	0.29% 	6.47% 	6.39% 
Credit Aa	2.17% 	1.05% 	8.81% 	8.57% 
Credit A	2.22% 	1.62% 	9.79% 	9.85% 
Credit Baa	3.19% 	2.88% 	8.59% 	9.28% 
Finance	1.99% 	1.86% 	8.79% 	9.25% 
Industrial	3.12% 	2.52% 	9.39% 	9.78% 
Utility	3.19% 	2.36% 	12.20% 	11.67% 
Supranational	0.20% 	-0.04% 	4.99% 	5.01% 
Sovereign	2.13% 	1.33% 	8.91% 	9.55% 


































11/30/2020

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














































Fixed Income Investors

Supplemental Data - as of November 30, 2020

US Fixed Income Spreads

Index	11/30/2020	Change vs. 1 Month Ago	Change vs. 3 Months Ago	Change YTD	Change vs. 1 Year Ago
Agg	48 	-6 	-9 	9 	4 
Agency	13 	0	-4 	3 	4 
Credit	100 	-19 	-22 	10 	0
MBS	49 	-3 	-7 	10 	4 
ABS	36 	-3 	-10 	-8 	-2 
CMBS	94 	-10 	-17 	22 	24 
USD EM	303 	-37 	-46 	2 	-24 

US Fixed Income Spreads

Index	11/30/2020	Change vs. 1 Month Ago	Change vs. 3 Months Ago	Change YTD	Change vs. 1 Year Ago
Credit Aaa	21 	-4 	-5 	4 	4 
Credit Aa	66 	-12 	-11 	14 	9 
Credit A	80 	-14 	-17 	10 	1 
Credit Baa	136 	-26 	-33 	11 	-4 
Finance	93 	-19 	-24 	13 	2 
Industrial	109 	-22 	-26 	10 	-2 
Utility	111 	-20 	-23 	14 	6 
Supranational	12 	-1 	-2 	4 	5 
Sovereign	140 	-12 	-20 	36 	22 

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

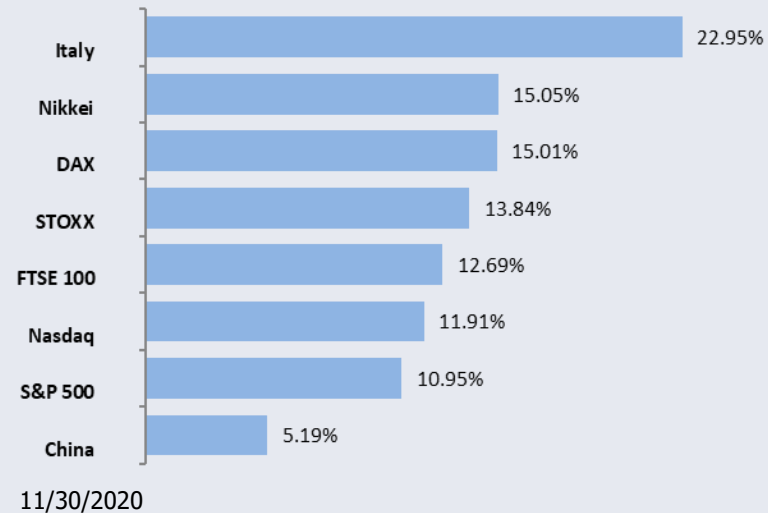
Fixed Income Investors

Supplemental Data - as of November 30, 2020

Global Equity Returns

Stock Index	11/30/2020	1-Month	3-Month	YTD	1-Year
S&P 500	3622	10.95%	3.89%	14.02%	17.46%
Nasdaq	12199	11.91%	3.80%	37.09%	42.06%
STOXX	389	13.84%	6.51%	-4.46%	-2.42%
FTSE 100	6266	12.69%	5.68%	-14.36%	-11.98%
DAX	13291	15.01%	2.67%	0.32%	0.41%
Italy	22061	22.95%	12.36%	-6.15%	-5.15%
Nikkei	26434	15.05%	14.95%	13.76%	15.73%
China	3392	5.19%	-0.12%	11.20%	18.10%

1-Month Performance



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

Fixed Income Investors

Supplemental Data - as of November 30, 2020

Europe

Stock Index	Last	1-Month	3-Month	YTD	1-Year
STOXX	389	13.84%	6.51%	-4.46%	-2.42%
FTSE 100	6266	12.69%	5.68%	-14.36%	-11.98%
DAX	13291	15.01%	2.67%	0.32%	0.41%
CAC 40	5519	20.12%	11.72%	-6.24%	-5.02%
Portugal	4605	16.72%	7.06%	-11.69%	-10.19%
Italy	22061	22.95%	12.36%	-6.15%	-5.15%
Ireland	7185	11.84%	11.92%	1.49%	4.17%
Greece	737	29.40%	16.25%	-17.28%	-15.83%
Spain	8077	25.31%	16.21%	-13.54%	-11.35%
Russia	3108	15.50%	4.77%	2.03%	5.87%

11/30/2020

International

Stock Index	Last	1-Month	3-Month	YTD	1-Year
MSCI EAFE	2054	15.50%	8.01%	3.03%	6.37%
MSCI EM	1205	9.25%	9.71%	10.20%	18.43%
MSCI FM	541	4.09%	5.96%	-4.06%	0.11%
MSCI FM100	1193	5.27%	7.07%	-3.43%	-0.39%

11/30/2020

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

Fixed Income Investors

Important Disclosures

The Barclays U.S. Aggregate Index is a representative measure of the investment-grade domestic bond market.

The Barclays Credit Index is a representative measure of the U.S. credit market, which includes publicly issued-U.S. corporate and specified foreign debentures and secured notes that meet specific maturity, liquidity, and quality requirements.

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