April 30, 2021

WEEKLY COMMENTS ON CREDIT

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Global Market Summary

The US Federal Open Market Committee (FOMC) meeting kept policy unchanged and indicated that it was too early to think about exiting accommodative policies since "risks to the outlook remain," and the economy is far from their goals. Their post-meeting statement acknowledged a better outlook, with vaccine progress and fiscal stimulus boosting growth. Overall, the US economic data continues to be strong, reflecting the vaccine-led re-opening. GDP grew at an annual rate of 6.4% in the first quarter, an acceleration from 4.3% growth in the fourth quarter of last year. In the Eurozone, the pace of vaccination has accelerated—over the most recent 7-day period, Europe distributed more doses than the US—and they appear on track to vaccinate 70% of their adult population by July. Credit spreads tightened across most major credit market indices, while total returns were mixed. US high yield outperformed, led by lower-quality credits. The US dollar declined vs the Euro, and EM currencies appreciated, on average.

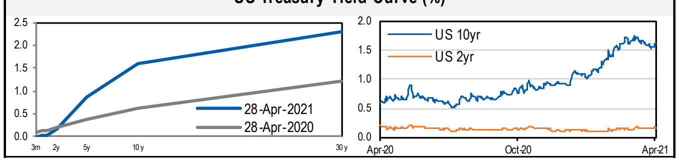
Emerging Markets

Index	Current Level (bps or %)	12 mos Change Spread or Yield (bps or %)	Weekly Change (bps)	12 mos Total Return
EMBI GD	342		2	17.66%
EMBI GD IG	148		3	8.96%
EMBI GD HY	582		0	29.31%
Africa	522		2	39.43%
Asia	213		7	8.86%
Europe	282		-2	11.73%
LATAM	348		0	20.73%
Middle East	354		3	15.21%
CEMBI BD	259		-3	14.92%
CEMBI BD IG	158		0	9.60%
CEMBI BD HY	463		-8	22.74%
GBIEM GD (%)	4.92		5	14.23%
EM Blend (%)	4.86		5	15.64%
EMBI ESG	319		2	15.93%
CEMBI ESG	259		-2	14.46%
GBI ESG (%)	4.70		4	14.80%
		-600 -450 -300 -150 0 150		Apr-20 Oct-20 Apr-21

Developed Markets

Index	Current Level (bps or %)	12 mos Change Spread or Yield (bps or %)	Weekly Change (bps)	12 mos Total Return
US HY	294		-4	20.49%
US HY BB	215		-4	17.14%
US HY B	327		-2	19.95%
US HY CCC	502		-7	34.60%
Pan Euro HY	299		-4	15.19%
LSTA 100 (%)	3.71		-4	16.34%
		-200 -100 0 100 200		
US Treasury 7-10 (%)	1.47		5	-5.52%
1M LIBOR (%)	0.11		0	0.18%
US Agg	30		-1	-0.27%
US IG Corp	88		-3	4.50%
Global Agg	32		0	0.47%
		-200 -100 0 100 200		Apr-20 Oct-20 Apr-21

US Treasury Yield Curve (%)



Other Asset Classes
(12 mos Total Return)

	Level	Currency Return vs USD		Level	Commodities		Level	Equities
EURUSD	1.21	12.07%	Gold	1,774	2.30%	S&P500	4,183	46.09%
USDJPY	108.60	-1.59%	VIX	17	-48.53%	MSCI World	8,831	48.10%
EM FX		8.66%	Brent	67	228.79%	MSCI EM	3,242	54.85%
		Apr-20 Oct-20 Apr-21			Apr-20 Oct-20 Apr-21			Apr-20 Oct-20 Apr-21

As of: April 28, 2021. Source: Bloomberg. For illustrative purposes only. See disclosures at end of material for additional information.

Global Backdrop

United States

Attention was focused on the FOMC, which, as expected, kept policy rates and the asset purchase program unchanged. The central bank acknowledged the economic recovery and despite providing an optimistic outlook, indicated it is too early to begin tapering asset purchases. Of note, the FOMC excluded the adjective "considerable" in describing pandemic-associated risks, highlighting US vaccination progress. Negotiations around the proposed US$2.25 trillion infrastructure package was met with opposition by Republicans who countered with their own US$568 billion plan. During his first speech to Congress, President Biden discussed vaccinations, the economic recovery, and unveiled plans for the US$1.8 trillion stimulus package, which would be paid for by increasing taxes on wealthy Americans. Following its review, the US Food and Drug Administration (FDA) and Centers for Disease Control and Prevention (CDC) recommended lifting the pause on J&J's single-dose vaccine, determining it to be safe and effective. US vaccinations increased, but at a decelerating rate, with 55% of adults having received at least one vaccine dose and 38% being fully vaccinated.

Europe

After overcoming initial supply constraints, the EU's vaccination program ramped up as 25% of adults have received at least one vaccine dose. According to the European Commission President, the bloc is on track to vaccinate 70% of adults by July. The German government passed a temporary law initiating localized restrictions such as curfews and non-essential shops closure once infections exceed a certain threshold. The law is expected to be effective until June, coinciding with German officials' planned timing to open vaccinations to all adults. As vaccinations progress, efforts shift towards re-establishing travel. The UK confirmed development of a digital vaccine passport, which will allow travellers to verify their vaccination status and/or negative Covid test results. The EU plans to implement a similar digital passport with an expected June rollout. The UK Prime Minister Boris Johnson came under pressure as former aide Dominic Cummings criticized his handling of the pandemic, accused him of unethical behavior, and suggested he used donations to the Conservative Party to refurbish his flat. The UK's Electoral Commission has launched a formal investigation to review the potential misappropriation of funds.

Japan/Asia

Infections in India are rising at an accelerating rate, with new cases averaging over 350,000 daily. In assistance efforts, President Joe Biden said the US will send 60 million doses of the AstraZeneca vaccine to India, while the UK will send oxygen equipment. Despite Japan's state of emergency restrictions, retail sales advanced for a second consecutive month as sales grew 1.2% in March, following February's 3.1% pickup, suggesting some resiliency. Consumption is expected to moderate given the current state of emergency's stricter measures.

Economist Corner

Seamus Smyth, PhD, Developed Markets

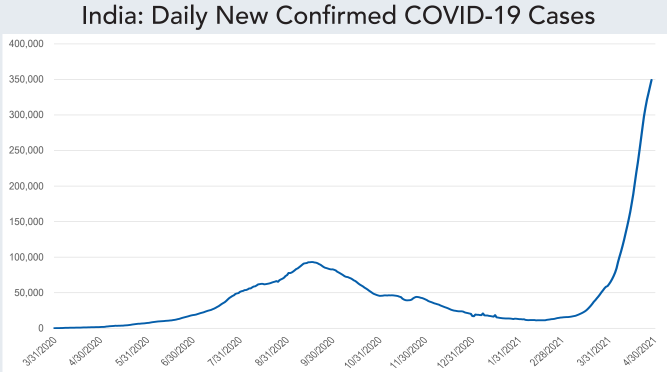
Steffen Reichold, PhD, Emerging Markets

As India's Covid-19 surge continues to spread across the country, it is becoming increasingly clear that the economy will suffer. However, given the speed of this wave—confirmed cases have more than doubled every two weeks—little real-time data is available to assess the macro impact. One data source that can provide useful insight is mobility data collected from movements of mobile devices. The latest number shows a drop by about 55% since the recent peak in February. This dramatic decline shows that people are rapidly changing their behavior in their efforts to slow the spread of the virus. However, it still falls short of the massive 85% decline registered during the first global Covid-19 wave in March 2020. At that time, India implemented one of the most severe lockdowns globally, resulting in a 26% fall in GDP over just one quarter.

This time, the government response has been very different. In particular, the government has been trying to avoid a repeat of the 2020 economic collapse and has not implemented a national lockdown. So far, we have seen a much more targeted response favoring regional measures and aiming to protect the economy. This has been the pattern across most countries during the Covid-19 waves since about mid-2020. And as a result, the economic impact has been dramatically different from the initial waves in H1 2020. A good example is central Europe (Poland, Czech Republic, and Hungary) where manufacturing activity has generally held up very well during the severe recent virus waves. Retail activity has been more affected but the overall impact was still multiple times lesss than in H1 2020.

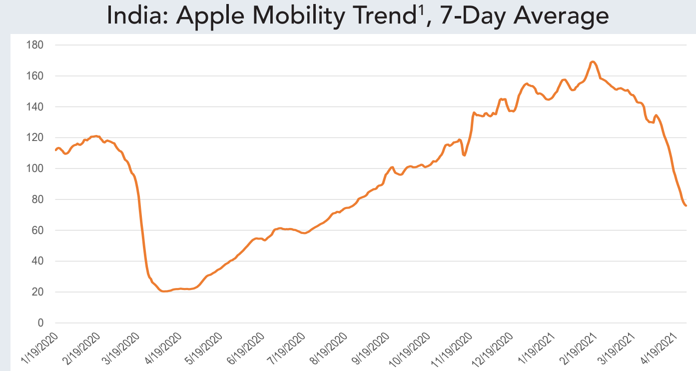
We expect India to follow this pattern in 2021. Obviously, a key uncertainty remains the duration of the virus surge. Significant progress in the supply of vaccines is expected in the coming months as vaccine production in India is ramped up. In the meantime, we expect to see an important impact from the social distancing efforts evidenced in mobility data. Again, this is a pattern we have seen across other countries in recent months. Overall, and despite the terrible news-flow, we still expect India to record substantial positive GDP growth during 2021.

India: Daily New Confirmed COVID-19 Cases



Source: Our World in Data, Stone Harbor Investment Partners

India: Apple Mobility Trend[1], 7-Day Average



Source: https://covid19.apple.com/mobility - [1]average of "driving" and walking"

Emerging Markets Debt

External Sovereign Debt

External sovereign debt spreads widened 2 basis point (bps) and the JP Morgan EMBI Global Diversified returned -0.34%. Non-investment grade credits continued to outperform investment grade credits this week. The top country performers included Lebanon (3.55%), Argentina (3.54%), and Ecuador (3.08%). The bottom performers included Sri Lanka (-3.63%), Uruguay (-1.62%), and Colombia (-1.40%). All regions posted negative total returns.

Local Currency Debt

The JP Morgan GBI EM Global Diversified returned 0.07%. EM currencies returned 0.26% in aggregate. The Brazil real outperformed, returning 2.96%, followed by the Russian ruble (2.46%), and Hungarian forint (0.79%). The bottom performers were Peru (-3.02%), Colombia (-1.72%), and Chile (-0.57%).

The yield of the JP Morgan GBI EM Global Diversified increased to 4.92%, tracking the move in US Treasuries. Chile (+31 bps), Colombia (+29 bps), and Peru (+22 bps) were among the bottom performers. On the other hand, Brazil (-23 bps), Poland (-3 bps), and Russia (-3 bps) outperformed.

In central bank actions, Russia surprised with a 50 bps hike to 5.00%; the broad consensus was for a 25 bps hike. Key rates were unchanged in Egypt (8.25%), Hungary (0.60%), and Kazakhstan (9.00%).

EM Corporate Debt

The CEMBI Broad Diversified generated a small negative return for the week, as Latin America underperformed both Asia and Central and Eastern Europe, Middle East and Africa (CEEMEA). US Treasury rates reversed the downward trajectory from last week and put pressure on high grade bonds and pushed up demand for high yield. Ukraine was a big outperformer after a de-escalation in Russia's military build-up along the country's border. Peruvian corporate bonds continued to be under pressure as current polls continued to indicate a lead for Pedro Castillo, but bond prices began to recover in the second half of the week. In Mexico, financial services company Alpha Holding S.A. announced a material restatement of its balance sheet and bond prices plunged more than 50 points. The announcement also put pressure on the bond prices of other non-bank financial services companies in Mexico. The bonds of Huarong Asset Management traded with a fair degree of volatility as headlines, including a downgrade by Fitch, weighed on the market.

Flows/Issuance

EM sovereign debt issuance this week included US dollar-denominated issues from Maldives and Ukraine. Maldives issued US$1 billion in 5-year notes and Ukraine issued US$1.25 billion in 8-year notes. In EM corporate debt, the new issuance market was fairly active with a number of smaller deals coming from debut issuers in Turkey and Brazil.

According to Emerging Portfolio Fund Research (EPFR), EM fixed income funds saw net inflows of approximately US$452 million for the week through 27 April, driven predominantly by flows into hard currency debt funds. We note that EPFR data provides a partial picture of portfolio flows as it accounts for a segment of the total market.

Source: EPFR

Sovereign Soundbites

Chile

The government enacted a law that allows withdrawal of up to 10% of remaining funds from the private pension system. This new provision represents the third pension withdrawal allowed by lawmakers since the onset of the pandemic. The approval came after a disordered political process in which the Constitutional Court denied President Sabastian Pinera's request to block the opposition-backed bill. According to the pension funds' regulators, the third round of withdrawals may lead to disinvestment of approximately US$19 billion in assets. In our view, the increased household liquidity and additional fiscal accommodation likely will push near term GDP growth higher. The Chilean peso depreciated relative to the US dollar this week.

China

China's industrial profits grew 92.3% year-over-year in March. Given that the impact of Covid-19 on the economy was most pronounced in 1Q 2020, the relative comparison with the 1Q 2021 growth rate largely reflects a low base effect. The latest growth rate is 50.2% higher than 1Q 2019, suggesting that the underlying growth trend remains strong with average annual growth of 22.6%. Some key metrics include the industrial sales revenue, which recorded a solid rebound, rising 38.7% in 1Q. Real industrial production grew 24.5% during the same period. At the same time, production costs have declined 2.6% in 1Q. As a result, the overall industrial enterprises' profits as a percentage of sales revenue was 6.64% for the quarter, exceeding the full-year 2020 figure of 6.08%. More broadly, the National Bureau of Statistics highlighted that out of 41 major industries, 39 registered positive annual profit growth in 1Q. Thirty of these profitable companies also showed positive profit growth relative to the same period in 2019.

Dominican Republic

In a press conference discussing March economic activity, Dominican Republic's Central Bank Governor Hector Valdez Albizu announced that the economy grew 10.6% year-over-year in March, following the 1.1% year-over-year expansion in February.

While the country's fiscal authorities have not provided full details yet, they have agreed that fiscal reform would be presented over the coming months and implemented in 2022. The intention of the reform is to strengthen fiscal revenues, which represent around 14% of GDP and put the public debt on a downward trend after reaching 56.5% of GDP during the recent Covid-19 shock, up from 40.3% of GDP in 2019. Dominican Republic external sovereign debt spreads tightened and total returns were positive, on average.

Ecuador

The plenary of the National Assembly of Ecuador approved the Law for the Defense of Dollarization with 86 votes in favor out of 135. The outgoing President Lenin Moreno had pushed for the reform as a way to prevent future governments from using the central bank's reserves to finance public spending. The reform had been a condition of a US$6.5 billion package agreed last year with the International Monetary Fund (IMF). Ecuador's external sovereign debt rallied on the news. At the same time, President-elect Guillermo Lasso continues his effort to build political alliances and is likely to appoint technocrats to his cabinet. Next steps include negotiation with the IMF over an economic reform agenda. Ecuador's external sovereign debt bonds delivered an average total return of 3.08% this week and spreads tightened.

Ghana

Tullow Oil plc, an independent oil and gas company with assets in sub Saharan Africa and South America, offered US$1.8 billion of senior secured first lien notes in order to repay and cancel an existing credit facility and convertible notes, and to redeem senior notes maturing in 2022. Following the debt operation, Tullow's next debt amortization will be in December 2024. According to S&P Global Ratings, the US$2.4 billion debt refinancing "will remove any liquidity concerns [for the company] in the coming 12-18 months."

Hungary

The Hungarian Parliament approved the transfer of state-owned assets, including real estate and shares in Hungarian companies, worth approximately US$3.6 billion to quasi-public foundations led by close allies of Hungary's Prime Minister, Viktor Orban. Critics say the transfer will enable the Prime Minister and his supporters to exert long-term influence. Moving forward, any changes to the rules governing the foundations will require a two-thirds majority in Parliament. Opposition resistance to Orban's recent actions increased this week, leading the government to drop plans to use EU pandemic recovery funds to finance university foundations.

Russia

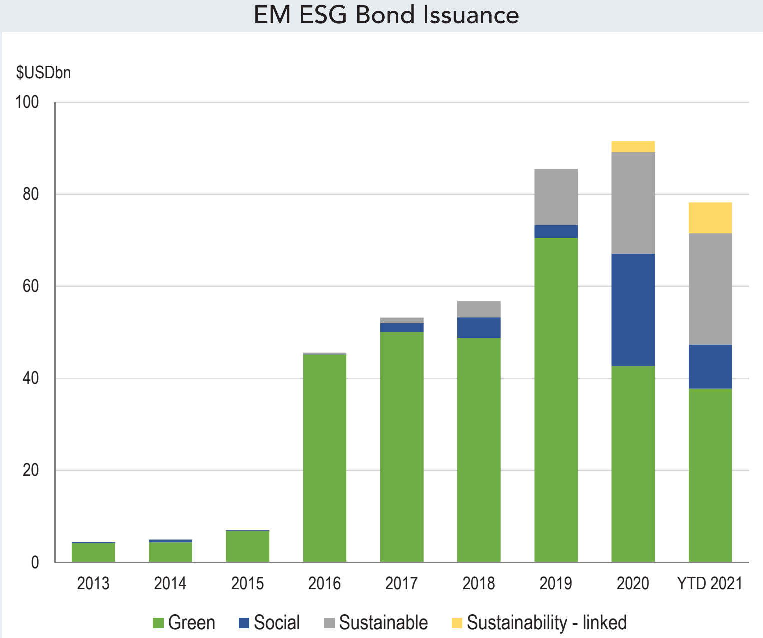
The Central Bank of Russia (CBR) surprised with a larger-than-expected hike of 50 bps to 5.0%, reiterating its focus on inflation risks by front-loading rate hikes and also suggesting further hikes at upcoming meetings. CBR's inflation forecast was marked up by 1% to 4.7%-5.2%, and a return to 4% is now expected in mid-2022, from 1H 2022 previously. According to CBR's press release, "The rapid recovery of demand and elevated inflationary pressure call for an earlier return to neutral monetary policy." Growth forecasts were left unchanged with 2021 GDP expected at 3.0-4.0%, which implies that the Russian economy will return to its pre-crisis level in the second half of 2021. The CBR also published its key rate forecasts, which showed average rates at 4.8%-5.4% in 2021, and 5.3%-6.3% in 2022. The range for 2021 implies that rates can remain at 5% or rise to 6.5% by year-end. The Russian ruble appreciated relative to the US dollar.

Suriname

The IMF reached a staff-level agreement with the Republic on a US$690 million three-year program under the Extended Fund Facility (EFF) on 29 April. If the program is approved by the IMF Executive Board in the coming weeks, approximately US$57.5 million would be immediately available to Suriname. Approval will depend on the implementation of several policies to ensure debt sustainability and close financing gaps including debt relief from Suriname's official bilateral partners and additional financing from multilateral partners. The IMF notes that it hopes the EFF will accompany a substantial reduction in the fiscal deficit, a shift to a flexible exchange rate, adoption of a monetary regime to reduce inflation, and an increase in international reserves, among other reforms. Suriname bond spreads tightened in the past week prior to the IMF announcement.

Chart of the Week

EM ESG Bond Issuance



As of April 11, 2021
Source: Goldman Sachs

2021 is on track to become another record year for sustainable bond issuance in emerging markets. Year-to-date issuance has already surpassed US$75 billion, reaching 85% of total EM ESG issuance during 2020. In 2020, the share of ESG issuance from EM issuers declined as wider spreads led EM issuers to tap other funding sources including low-cost funding from multilaterals. Yet, even in that more difficult environment total EM ESG issuance posted a new high of US$91.5 billion. But as market conditions have become more attractive for EM issuers, we have seen strong growth so far in 2021. The share of social bonds has retraced relative to last year, but we have seen a rebound of green bonds and very strong growth in sustainable bonds (use-of-proceeds earmarked for both green and social projects). However, the fastest growing segment is sustainability-linked bonds. These bonds typically include specific targets that the issuer is committing to achieve (often a specific reduction in greenhouse gas emissions or carbon intensity) and a penalty step-up in the coupon in case the target is missed. While this segment is relatively new and still represents the smallest share among ESG bonds in EMs, we expect strong growth to continue as more and more corporate issuers are looking for ways to signal their commitment to specific sustainability targets while tapping a fast growing funding market.

Global High Yield

US High Yield

US high yield gained as US Treasury yields remained range-bound, while equity markets and oil prices increased. Energy outperformed with higher oil prices and airlines gained on continued optimism that the vaccine rollout is boosting demand for travel. Media benefitted from expectations that a debt exchange could be positive for Diamond Sports.

In a letter to the cruise industry, the CDC outlined a new path for cruise lines to begin sailing. The new guidelines lay out a path for a possible return to sailing in July. Among other conditions, the voyages would require 95% of guests and 98% of crew to be vaccinated.

Leveraged Loans

The tone in the loan market was more favorable this week than last, as investors digested corporate earnings and saw a modest slowdown in the new issuance market. The S&P/LSTA Leveraged Loan Index returned +0.11%, the average bid price increased 6 bps to US$97.80, and the spread-to-maturity tightened 2 bps to L+407. The discounted, lower-quality portion of the market continued to outperform the broader index as investors continue to search for yield.

Industries tied to the commodity markets as well as the re-opening theme outperformed, while some higher quality sectors lagged, mostly driven by relative value or idiosyncratic credit events. There were no defaults in the index this week.

European High Yield

Overall, European high yield returned +0.08% week-over-week. Performance across rating categories ranged from 0.04% to 0.26% with CCC-rated names outperforming. Overall, spreads were 4 bps tighter on the strength of the equity markets, offsetting last week's widening and leaving spreads -14 bps tighter for the month-to-date and -57 bps tighter year-to-date. Most sectors rallied with the usual outperformance of cyclicals in a strong market. Vaccinations surprised on the upside in Europe, with re-openings looking likely for the summer. Overall, Q1 2021 results releases were generally positive across sectors. Lufthansa, for example, reported better-than-expected results and lower cash burn. Packaging company Ardagh registered a 10% sales increase in Q1 2021, and a similar growth in EBITDA.

Flows/Issuance

US high yield technicals improved as fund flows were slightly positive and the new issue calendar slowed from its record pace, with only US$6.2 billion pricing this week. The April new issue supply increased to a record for April at US$42.2 billion, bringing the year-to-date total to US$191 billion (up 71%). The large deal of the week was Jazz Pharma's US$1.5 billion Ba2/BB-secured 4.375% eight-year deal brought to fund the acquisition of GW Pharmaceuticals. The bonds and loans met with strong demand, as the issuer shifted US$1.2 billion of the original US$2.7 billion issue to term loans, with the bond pricing coming in below the high 4% guidance. The bonds traded 2 points higher.

US loan funds saw net inflows of about US$1 billion for the week, continuing a streak of gains for the 15th week and bringing year-to-date net inflows to roughly US$13 billion, according to Lipper. Investors continue to digest robust new issuance; however, we saw fewer launches this week, with only ten issuers coming to market with US$6.9 billion worth of deals. Proceeds from the announced deals are skewed towards mergers and acquisitions (M&A) and leveraged buyout (LBO) transactions, a common theme over recent weeks. Month-to-date new issuance is nearing US$65 billion with roughly 50% of issuance used towards M&A and LBO activity. Including this week's inflow, year-to-date the asset class has seen approximately US$13 billion of inflows, which compares to US$19 billion leaving the asset class during all of 2020. Additionally, Collateralized Loan Obligation (CLO) formation was solid this week with approximately US$1 billion of issuance, bringing the April monthly figure to just under US$6 billion and the year-to-date figure to US$46 billion.

In Europe, EPFR reports a small inflow of US$49 million for the week. So far this month, European high yield recorded net inflows of US$432 million.

Source: Lipper, JP Morgan

Industry Insights

Chemicals: Chemical companies have posted strong 1Q 2021 earnings with most beating guidance and many raising full year estimates. There has been widespread strength across end markets, with the improvement in the broader macro environment leading to demand growth in Q2 2021. Dow Chemical compared 2021 to a year with 13 months of demand and only 11 months of supply. Winter Storm Uri pressured already-low inventory levels, causing many chemical product prices to climb to-or-near 10-year highs, with much pent-up demand driving volume growth and better margin forecasts.

Consumer Products: Despite the robust consumer environment, buoyed by further stimulus and an elevated savings rate, consumer products companies, specifically those with exposure to staples, are likely to see a slowdown in organic growth accompanied by margin pressures in the coming quarters. As companies report earnings, we expect increasing commentary surrounding difficult year-over-year comparisons as we begin to lap Covid-19, along with potential margin headwinds. While accelerating inflationary pressures as a result of rising raw material, transportation, and labor costs could weigh on earnings, we believe companies will attempt to put forth pricing increases to mitigate some of these headwinds. Overall, the sector remains largely defensive with robust cash flow characteristics, which we expect to continue.

Technology: Dell Technologies formally announced the long rumored spin-off of VMWare. Dell Technologies would receive approximately US$9.3 to US$9.7 billion and intends to use the net proceeds to pay down debt, positioning the company well for investment grade ratings. The amount of the dividend was a little lower than the market expected, due to the fact that the company's earning and free cash flow have been much better than the market expected in the fiscal year ended January 2021. The push to work-from-home has been a boost for Dell Technologies to generate more free cash flow than forecast, and the outlook remains strong for the first half of 2021 as tight supply of semiconductor components is leading to very strong pricing and margins for Dell Technologies. Dell Technologies bond prices improved on the news.

Investment Grade

Governments

Government bonds remained range-bound this week as US Treasury volatility, as measured by the ICE BofAML MOVE Index, drifted towards the lower end of its range at 60. The US Treasury curve flattened, with 5s30s contracting 1.5 bps to 144, as shorter-dated maturities sold off more than longer bonds. After being confined to the 2.20% to 2.30% range for several weeks, 10-year Breakevens, a gauge of inflation expectations, rose 9 bps to 2.42% amid improving economic data. The yield on 10-year and 30-year Treasuries rose 5 bps and 4 bps to 1.61% and 2.29%, respectively.

Core European government bond yields followed the trend higher with 10-year Bunds and Gilts rising 3 bps and 6 bps to -0.23% and 0.80%, respectively. Peripheral spreads were mixed as the spread on 10-year Spanish bonds rose 1 bp to 66 bps, while Italian BTPs widened 9 bps to 110 bps amid heightened supply for the week.

Corporates

Investment grade spreads have moved back to their post-Covid tights of +88 bps according to the Bloomberg/Barclay's Corporate Index. Markets have remained focused on earnings, which have generally been favorable with over 80% of the S&P 500 beating EPS estimates while more than 75% beat revenue expectations. At these levels, valuations on corporates remain somewhat rich, spread curves are flat with the exception of the 5/10's curve, which have steepened, and rating differentials remain compressed. Recent bank deals have mostly been digested, resulting in better performance out of the sector, while healthcare, food & beverage, and tobacco have struggled. Seasonally, the month of May is traditionally one of the worst months for spreads, partly due to the seasonal pickup in supply. Early estimates show supply for May to be somewhere between US$140 and US$160 billion – a far cry from the record-setting supply we saw last May (US$261 billion) - but nonetheless robust. Market constituents have come to an agreement that on 3 May, issues that mature in 20 years, or between 2037 and 2044, will no longer price off the old long bond (second to the most recent 30-year Treasury) but will price off of the 20-year treasury. This has been well telegraphed and a topic of discussion going back at least a year.

Securitized

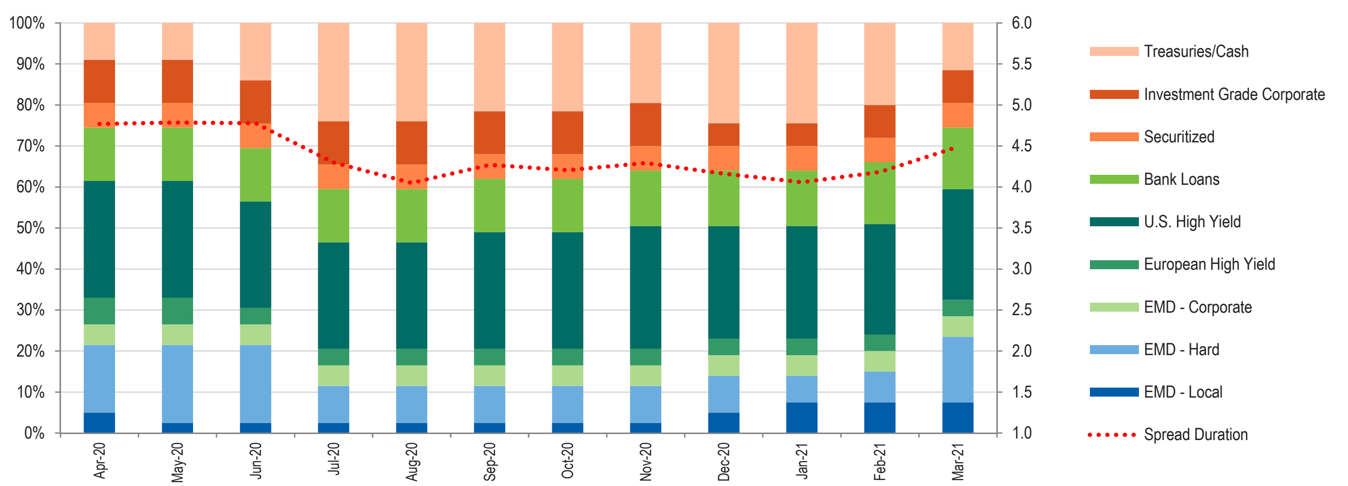
Securitized spreads were stable in a quiet trading week. US Federal Reserve (Fed) Chairman Powell stated they will maintain the monthly US$40 billion agency mortgage-backed security (MBS) purchase pace. The Federal Housing Finance Agency (FHFA) announced a new plan to help lower-income borrowers refinance. Prepayment impacts will be modest and concentrated on higher coupon and loan balance pools. Moodys assigned a first-time Baa3 rating to Invitation Homes, citing their "large scale and good operational performance." Moodys also upgraded Avis's asset-backed security (ABS) one notch to Aa1 on the senior classes, and Baa1 on the subordinate classes, based on the strength of used car prices and decreased assumptions for sponsor default. In commercial mortgage-backed securities (CMBS), JP Morgan increased their issuance forecast to 11% with higher Sustainability Accounting Standards Board (SASB) and commercial real estate Collateralized Loan Obligation (CRE CLO) issuance, but lower conduit issuance, which should be supportive of conduit spreads.

Flows/Issuance

High grade funds (HG Corp +HG Agg funds, ex short-term) continued to show inflows for the most recent period. Flows were positive by US$3.627 billion with heavy flows into aggregate funds relative to corporate only funds. In the primary markets, supply was light this week with just over US$15 billion priced. Citigroup was the largest issuer at US$5.5 billion, followed by Coca-Cola with US$3.45 billion. Supply for April has been above expectations with just under US$125 billion, and year-to-date supply is US$565 billion, or down 23.5% year-over-year.

Source: EPFR

Stone Harbor Multi-Asset Credit Target Allocations (%)



Stone Harbor Multi-Asset Credit Representative Target Allocation as of 31 March 2021. Actual allocations within any account may be significantly different from the target allocations shown here. For illustrative purposes only.

Credit Market Indices Snapshot

As of April 28, 2021		Spread or Yield Change (bps or %)						Total Return (%)				
		Level	1W*	MTD	QTD	YTD	LTM	1W	MTD	QTD	YTD	LTM
EM	EMBI Global Diversified	342	2	(11)	(11)	(8)	(299)	(0.3)	1.9	1.9	(2.7)	17.7
	CEMBI Broad Diversified	259	(3)	1	1	(11)	(297)	(0.0)	0.5	0.5	(0.3)	14.9
	GBI EM Global Diversified Yield	4.92	0.05	(0.07)	(0.07)	0.71	(0.08)	0.1	2.5	2.5	(4.3)	14.2
EM Sovereign Debt	EMBI Global Diversified	342	2	(11)	(11)	(8)	(299)	(0.3)	1.9	1.9	(2.7)	17.7
	EMBI GD Investment Grade	148	3	7	7	0	(186)	(0.5)	0.6	0.6	(4.7)	9.0
	EMBI GD High Yield	582	(0)	(37)	(37)	(26)	(531)	(0.1)	3.4	3.4	(0.4)	29.3
EM Sovereign Debt Regions	Africa	522	2	(34)	(34)	(33)	(508)	(0.3)	3.4	3.4	(0.8)	39.4
	Asia	213	7	0	0	(19)	(191)	(0.7)	0.9	0.9	(1.7)	8.9
	Europe	282	(2)	(8)	(8)	17	(183)	(0.0)	1.3	1.3	(3.1)	11.7
	LATAM	348	0	(13)	(13)	(6)	(360)	(0.3)	2.5	2.5	(4.3)	20.7
	Middle East	354	3	(4)	(4)	(14)	(254)	(0.4)	1.3	1.3	(2.0)	15.2
EM Corporates	CEMBI Broad Diversified	259	(3)	1	1	(11)	(297)	(0.0)	0.5	0.5	(0.3)	14.9
	CEMBI BD Investment Grade	158	0	9	9	(11)	(190)	(0.2)	0.3	0.3	(1.4)	9.6
	CEMBI BD High Yield	463	(8)	(7)	(7)	(23)	(447)	0.2	0.7	0.7	1.2	22.7
US High Yield	US High Yield	294	(4)	(16)	(16)	(66)	(479)	0.3	1.0	1.0	1.9	20.5
	US High Yield BB	215	(4)	(12)	(12)	(49)	(332)	0.2	1.0	1.0	0.9	17.1
	US High Yield B	327	(2)	(7)	(7)	(52)	(444)	0.2	0.9	0.9	2.1	19.9
	US High Yield CCC	502	(7)	(46)	(46)	(156)	(967)	0.6	1.1	1.1	4.7	34.6
European High Yield	Barclays PanEur HY	299	(4)	(14)	(14)	(57)	(369)	0.1	0.5	0.5	2.1	15.2
	2% Ex Financials Yield	3.13	(0.01)	(0.12)	(0.12)	(0.28)	(4.89)	-	-	-	-	-
Bank Loans	LSTA Price	97.8	0.1	0.3	0.3	1.6	11.9	0.1	0.5	0.5	2.3	16.3
	LSTA 100 Yield	3.71	(0.04)	(0.03)	(0.03)	(0.27)	(4.11)	-	-	-	-	-
Investment Grade	US Treasury 7-10 Yield	1.47	0.05	(0.13)	(0.13)	0.69	0.90	(0.4)	1.1	1.1	(4.7)	(5.5)
	1M LIBOR	0.11	0.00	0.00	0.00	(0.03)	(0.29)	0.0	0.0	0.0	0.0	0.2
	US Aggregate	30	(1)	(1)	(1)	(12)	(50)	(0.2)	0.8	0.8	(2.6)	(0.3)
	US Investment Grade Corporates	88	(3)	(3)	(3)	(8)	(119)	(0.1)	1.1	1.1	(3.6)	4.5
	Global Aggregate	32	0	(1)	(1)	(4)	(39)	(0.2)	0.3	0.3	(2.1)	0.5
	Barclays 1-5 Year Credit	41	(2)	(6)	(6)	0	(105)	0.0	0.4	0.4	(0.2)	4.0
FX	DXY (US dollar)	90.63						(0.6)	(2.8)	(2.8)	0.7	(9.3)
	GBI EM FX							0.3	1.8	1.8	(1.9)	9.3

1W reflects data from April 14 close through April 28 close. Source: Stone Harbor; Bloomberg. For illustrative purposes only. See disclosures at end of material for additional information.

Important Information

Representative asset class benchmarks referenced herein are defined as follows: US HY: ICE BofAML U.S. High Yield Constrained Index (HUC0); EMD: J.P. Morgan EMBI Global Diversified; Loans: S&P/LSTA Leveraged Loan Index; EMDLC: J.P. Morgan GBI-EM Global Diversified; EMDCR: J.P. Morgan Corporate Emerging Markets Bond Index Broad Diversified; EUR HY: Bloomberg Barclays PanEuropean High Yield; IG Corp: Bloomberg Barclays Global Aggregate Corporate Index. The J.P. Morgan ESG Index applies a multidimensional approach to ESG investing for fixed income investors. It incorporates ESG score integration, positive screening (e.g. green bonds) as well as exclusions of controversial sectors and UN Global Compact violators. The S&P 500 is an index of 500 stocks chosen for market size, liquidity and industry grouping, among other factors. The S&P 500 is designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe. The MSCI World index captures large and mid-cap representation across 23 Developed Markets. Index constituents cover approximately 85% of the free float- adjusted market capitalization in each country. The index is a broad global equity benchmark without emerging markets exposure. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. As of January 2009 the MSCI Emerging Markets Index consisted of the following 23 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey and the United Arab Emirates. The U.S. Dollar Index (USDX) indicated the genera int'l value of the USD. The USDX does this by averaging the exchange rated between the USD and major world currencies. The ICE U.S. computed this by using the rates supplies by some 500 banks. VIX is a real-time market index that represents the market's expectation of 30-day forward-looking volatility.

Investments may not be made directly in an index. The J.P. Morgan CEMBI Broad Diversified (CEMBI Broad Diversified) tracks total returns of U.S. dollar-denominated debt instruments issued by corporate entities in emerging market countries and consists of an investable universe of corporate bonds. The minimum amount outstanding required is $350 mm for the CEMBI Broad Diversified. The CEMBI Broad Diversified limits the weights of those index countries with larger corporate debt stocks by only including a specified portion of these countries' eligible current face amounts of debt outstanding. The J.P. Morgan EMBI Global Diversified (EMBI Global Diversified) limits the weights of those index countries with larger debt stocks by only including specified portions of these countries' eligible current face amounts outstanding. The countries covered in the EMBI Global Diversified are identical to those covered by the EMBI Global. The J.P. Morgan GBI-EM Global Diversified (GBI EM Global Diversified) consists of regularly traded, liquid fixed-rate, domestic currency government bonds to which international investors can gain exposure. The weightings among the countries are more evenly distributed within this index. The ICE BofAML European Currency Non-Financial High Yield 2% Constrained Index contains all non-Financial securities in The ICE BofAML European Currency High Yield Index but caps issuer exposure at 2%. Index constituents are capitalization-weighted, based on their current amount outstanding, provided the total allocation to an individual issuer does not exceed 2%. Issuers that exceed the limit are reduced to 2% and the face value of each of their bonds is adjusted on a pro-rata basis. Similarly, the face values of bonds of all other issuers that fall below the 2% cap are increased on a pro-rata basis. The Bloomberg Barclays Treasury Index tracks the obligations of the U.S. Treasury with a remaining maturity of one year or more. The Bloomberg Barclays Pan-European High Yield Index measures the market of non-investment grade, fixed-rate corporate bonds denominated in the following currencies: euro, pounds sterling, Danish krone, Norwegian krone, Swedish krona, and Swiss franc. Inclusion is based on the currency of issue, and not the domicile of the issuer. The ICE BofAML U.S. High Yield Constrained Index (HUC0) contains all securities in ICE BofAML U.S. High Yield Index but caps issuer exposure at 2%. Index constituents are capitalization-weighted, based on their current amount outstanding, provided the total allocation to an individual issuer does not exceed 2%. Issuers that exceed the limit are reduced to 2% and the face value of each of their bonds is adjusted on a pro-rata basis. Similarly, the face values of bonds of all other issuers that fall below the 2% cap are increased on a pro-rata basis. In the event there are fewer than 50 issues in the Index, each is equally weighted and the face values of their respective bonds are increased or decreased on a pro-rata basis. The S&P/LSTA Leveraged Loan Index is a partnership between Standard & Poor's and the Loan Syndications and Trading Association, tracking returns in the leveraged loan market and capturing a broad cross-section of the U.S. leveraged loan market - including dollar-denominated, U.S.-syndicated loans to overseas issuers. The Bloomberg Barclays U.S. Aggregate Index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and assetbacked securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis. The Bloomberg Barclays U.S. Corporate Investment Grade Index is a sub-index of the U.S. Aggregate Index. It measures the investment grade, fixed rate, taxable corporate bond market and includes USD denominated securities publicly issued by US and non-US industrial, utility and financial issuers. The Bloomberg Barclays Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multicurrency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging market issuers. The Bloomberg Barclays 1-5 Year Credit Index tracks publicly issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity of between one and five years, liquidity, and quality requirements. Qualifying bonds must be SEC-registered.

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