June 11, 2021

WEEKLY COMMENTS ON CREDIT

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Global Market Summary

US sequential core CPI remained elevated with increases of 0.7% month-over-month (m/m) and of 5% year-over-year (y/y) in May. This result follows April's price increases of 1.6% m/m and 4.0% y/y. Nevertheless, the yield on the US Treasury 10-year note declined to 1.49% in reaction to last week's weaker-than-expected US report on nonfarm payrolls. In Europe the pace of the economic recovery continued to improve. Italy's industrial production jumped 1.8% in April, marking a fifth consecutive monthly increase and above market expectation of a 0.3% increase. Credit spread movements were modest in emerging markets (EM) and investment grade assets, and generally tightened in US high yield debt. Total returns were positive across major market indices. The US dollar appreciated vs the Euro, and EM currencies also strengthened, on average.

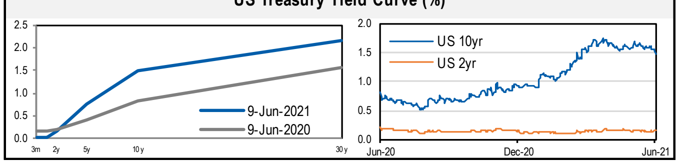
Emerging Markets

Index	Current Level (bps or %)	12 mos Change Spread or Yield (bps or %)	Weekly Change (bps)	12 mos Total Return
EMBI GD	329		1	8.15%
EMBI GD IG	145		3	3.20%
EMBI GD HY	557		-1	14.20%
Africa	496		-2	19.33%
Asia	203		0	5.27%
Europe	268		0	5.79%
LATAM	338		3	7.86%
Middle East	344		-1	6.91%
CEMBI BD	251		0	8.76%
CEMBI BD IG	154		2	5.79%
CEMBI BD HY	448		-2	12.93%
GBIEM GD (%)	4.94		0	6.07%
EM Blend (%)	4.72		-5	7.70%
EMBI ESG	308		2	7.34%
CEMBI ESG	252		0	8.64%
GBI ESG (%)	4.74		0	6.78%
		-300 -150 0 150		Jun-20 Dec-20 Jun-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	291		-7	12.17%
US HY BB	220		-4	10.43%
US HY B	315		-7	10.85%
US HY CCC	493		-16	21.03%
Pan Euro HY	288		-3	9.88%
LSTA 100 (%)	3.60		-3	10.11%
		-200 -100 0 100 200		
US Treasury 7-10 (%)	1.36		-10	-3.20%
1M LIBOR (%)	0.07		-1	0.15%
US Agg	32		1	0.15%
US IG Corp	85		0	3.44%
Global Agg	33		1	0.66%
		-100 0 100 200		Jun-20 Dec-20 Jun-21

US Treasury Yield Curve (%)



Other Asset Classes
(12 mos Total Return)

Currency Return vs USD	Level	12 mos Total Return	Commodities	Level	12 mos Total Return	Equities	Level	12 mos Total Return
EURUSD	1.22	7.41%	Gold	1,896	8.01%	S&P500	4,220	31.57%
USDJPY	109.63	-1.71%	VIX	18	-35.11%	MSCI World	8,986	33.68%
EM FX		3.31%	Brent	72	75.38%	MSCI EM	3,271	39.23%
		Jun-20 Dec-20 Jun-21			Jun-20 Dec-20 Jun-21			Jun-20 Dec-20 Jun-21

As of: June 9, 2021. Source: Bloomberg. For illustrative purposes only. See disclosures at end of material for additional information.

Global Backdrop

United States

During an interview this week, Treasury Secretary Janet Yellen said that higher interest rates would be a positive for both the Federal Reserve (Fed) and society overall. She also expressed her view that President Joe Biden should proceed with his US$4 trillion spending plans despite its implications for higher inflation and interest rates. We got a glimpse of bipartisanship after the Senate passed, in a 68-32 vote, the US$250 billion bill targeted at strengthening US manufacturing and technology. The bill consists of US$190 billion allocated to increasing research & development, while US$52 billion is earmarked for domestic semiconductor manufacturers. The bill now makes its way to the House. G-7 finance ministers reached an agreement to implement a minimum 15% corporate tax rate and allow countries to tax multinationals based on where earnings are generated as opposed to where companies are headquartered. While this is a step towards updating the international tax code, implementation could take several years.

Europe

Tensions between the EU and UK are rising again after both sides failed to reach a solution around the Northern Ireland impasse. The EU is said to be considering retaliatory measures against the UK such as tariffs and quotas for failing to uphold its obligations over the Northern Ireland protocol, including checkpoints for goods moving from mainland Britain to Northern Ireland. Both Prime Minster Johnson and President Macron agreed to work together to avoid further escalation. In Germany, Christian Democratic Union (CDU) Chairman Armin Laschet led his party to victory in the regional elections, which helped galvanize his position to succeed Chancellor Angela Merkel. The win offers a reprieve for the CDU/Christian Social Union (CSU) parties as sentiment had deteriorated following poor handling of the pandemic. The European Parliament approved the use of digital vaccine passports, which will allow citizens to travel freely after verifying either their vaccination status, recovery from Covid-19, and/or recent negative test results. The certificate is pending final approval by EU member states but is expected to be implemented by 1 July.

Japan/Asia

Japanese machine tool orders, a good leading indicator of capital expenditure, slipped 0.5% in May but continues to trend higher as orders are now 140.7% above a year ago. The underlying observations in April remained in May as weakness in domestic demand persists, due in part to the ongoing state of emergency restrictions, while foreign demand rises as economies reopen. Recent Japanese polls suggest opposing sentiment towards hosting the Olympics is waning as the country's vaccinations pick up. Although Japan's vaccination rate remains well behind other developed countries, the pace of inoculations is rising at an accelerated rate. The wave of infections in India continues to recede as the daily case count fell below 100,000 for the first time in two months. The 7-day moving average fell to 106,000, a 27% decrease from the prior week's average.

Economist Corner

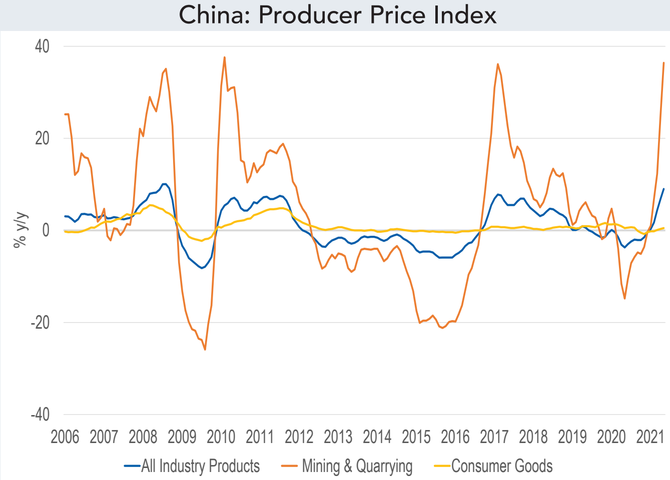
Seamus Smyth, PhD, Developed Markets

This week, the higher-than-expected producer price data in China added to fears of building global inflation pressures. At 9.0% y/y producer prices increased at the highest annual rate since 2008. At a time when we are seeing a fast global recovery and still large stimulus in key countries, this could be a sign of concern. A closer look reveals that the key drivers have been high commodity prices. The sub-index for the mining sector increased 36% y/y, driven in particular by oil and metals, including steel. As heavy industry still has a large share in Chinese industrial production, this resulted in a large increase in the overall producer price index. On the other hand, inflation in consumer goods prices remains very low at only 0.5% y/y.

Steffen Reichold, PhD, Emerging Markets

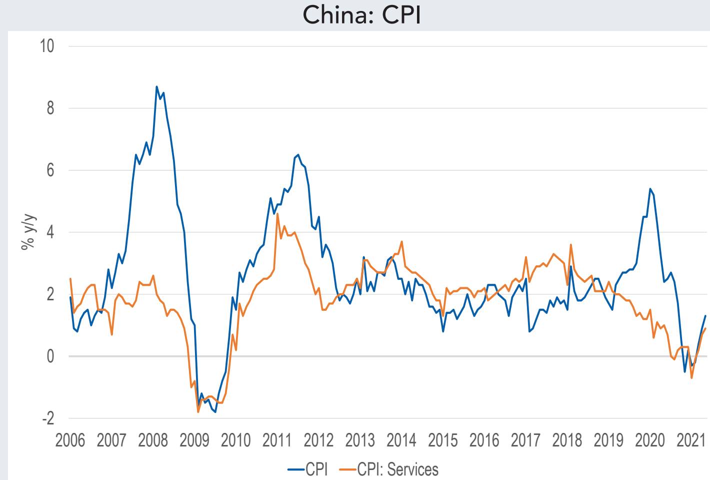
Thus, we have not seen a broad pass-through of high commodity prices to sectors that are less reliant on raw material inputs. This is also reflected in Chinese consumer price inflation, which, at 1.3% y/y, also remains very low, driven by both low consumer goods and low services inflation. These are encouraging signs in our view, not just for China but globally, as price pressures in specific markets have so far failed to become more broad-based. That said, commodity prices are more important for EM inflation as food and energy weights are higher than in developed markets' CPIs. Several EMs are already showing the impact of commodity prices on their CPIs but a broader spread of price pressures has so far failed to materialize in most EMs.

China: Producer Price Index



As of: May 2021
Source: China National Bureau of Statistics, Haver Analytics

China: CPI



As of: May 2021
Source: China National Bureau of Statistics, Haver Analytics

Emerging Markets Debt

External Sovereign Debt

External sovereign debt spreads widened 1 basis point (bp) and the JP Morgan EMBI Global Diversified returned 0.74%, with little differentiation in performance between non-investment grade and investment grade sectors, nor between regions, all of which posted positive total returns. The top country performers included Colombia (2.21%), Papua New Guinea (2.18%), and Sri Lanka (2.18%). The bottom performers included Suriname (-4.53%), El Salvador (-2.64%), and Venezuela (-1.31%).

Local Currency Debt

The JP Morgan GBI EM Global Diversified returned 0.54%. EM currencies returned 0.35% in aggregate. The Colombian peso and the Russian ruble outperformed, both returning 1.51%, followed by the Mexican peso (1.42%). The bottom performers were Peru (-0.37%), Poland (-0.37), and Hungary (-0.35%).

The yield of the JP Morgan GBI EM Global Diversified remained unchanged and ended the week at 4.94%. South Africa outperformed (-23 bps), followed by Colombia (-21 bps), and Uruguay (-18 bps). On the other hand, Chile (+27 bps), Peru (+27 bps), and Russia (+14 bps) underperformed.

In central bank actions, key rates were unchanged in Chile (0.50%), India (4.00%), Kazakhstan (9.00%), Poland (0.10%), and Serbia (1.00%).

EM Corporate Debt

The JP Morgan CEMBI Broad Diversified returned 0.37%, underperforming both EM hard currency debt and US high yield. US Treasury rates boosted markets as the 7-year yield fell by 10 bps. In addition, oil prices reached a one-year high, which also supported many EM corporate bond prices. Not surprisingly, oil & gas was the top performing industry sector. All of the major geographic regions performed in-line with each other, as did high yield and high grade. Argentina was a top performer on the week as a good soybean harvest should bolster US dollar reserves in the short term.

Flows/Issuance

EM sovereign debt issuance this week was light, but Oman issued a US dollar–denominated bond due in 2030. In EM corporate debt, the new issue market was quite robust with several exploration & production (E&P) names coming to market in Latin America, along with a Brazilian airline.

According to Emerging Portfolio Fund Research (EPFR), EM fixed income funds saw net inflows of approximately US$1.9 billion for the week through 8 June, driven predominantly by inflows into hard currency 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

Angola

Following the fifth review of Angola's US$4.5 billion Extended Fund Facility (EFF), the IMF has approved, as expected, a US$772 million disbursement. The Fund cited continued progress in structural reforms that strengthen public finances and debt dynamics, as well as strong growth recovery in non-oil-related sectors designed to attract foreign investment. According to the Finance Minister Vera Daves de Sousa, the government has not yet decided whether to seek a new program once the current three-year EFF concludes at the end of this year. External sovereign debt spreads tightened.

China

US President Biden took additional steps to increase pressure on China by updating an earlier order from Donald Trump that prohibited US persons from buying or selling securities of Chinese companies that the US administration believes are closely tied with the Chinese military. The new Executive Order (EO) 14032 includes 59 companies compared to the 43 companies included on EO 13959 (12 November 2020). Many companies are included on both lists, but some are new and several companies that were on the original order have been removed. Of note for EM debt investors, China National Chemical Corporation, China Three Gorges Corporation, and Sinochem are no longer included on the restricted list. Bonds from Chem China and Three Gorges are included in the JP Morgan bond indices and rallied following publication of the EO.

El Salvador

President Nayib Bukele announced over the weekend that he will submit a bill to Congress to adopt Bitcoin as legal tender, citing its potential to facilitate Salvadorans abroad sending remittances home and a path toward achieving financial inclusion of those who work in the informal economy. Bukele noted on Twitter that Bitcoin could be "the fastest growing way to transfer six billion dollars a year in remittances." The country's top trade official stated that the US dollar would continue to be legal tender and that Bitcoin transactions would be voluntary and linked to the dollar exchange rate. The announcement has raised concerns about the outlook for the US$1 billion IMF program. Total returns on external sovereign bonds were negative.

Mexico

Preliminary results of the 6 June midterm elections suggest that Mexico's ruling coalition, the Morena Party, has lost the lower-house 2/3rds majority, winning 265-298 of the 500 seats based on current estimates, and down from 334 seats previously. The conservative National Action Party (PAN) is expected to gain 106 to 117 seats compared to the previous 77 seats; and the Institutional Revolutionary Party (PRI) is expected to gain 63-75 relative to the previous 48 seats. While this result reduces the scope of constitutional reforms, the Morena's simple majority will likely allow the government to pass tax reforms and budgets for the next three years and possibly enact some constitutional changes through secondary legislation. The official results will be released by the Electoral Institute on 28 August. External sovereign debt spreads widened and the Mexican peso appreciated.

Pakistan

Pakistan will reduce import taxes of raw materials needed by pharmaceutical, chemical, engineering, and food processing industries by 3% to 10%, according to Prime Minister Imran Khan's trade adviser. The federal government will include the proposal in its annual budget to encourage local production and ultimately boost exports; plans are to present the new budget in the lower house of the parliament on 11 June. In addition to the budget, negotiations on tax reform and the removal of energy subsidies will be key discussion points with the IMF over the current US$6 billion EFF. The country's authorities remain in technical meetings with the IMF staff on the 6th review of the lending program.

Peru

Pedro Castillo maintains a lead over Keiko Fujimori following Sunday's runoff election, with 99.8% of ballots counted. Early this week, Fujimori held a press conference alleging fraud and irregularities and is reportedly pursuing legal actions, despite the Inter-American Union of Electoral Organizations stating that the election is being carried out in an orderly manner and is compliant with international standards. Markets reacted positively to Castillo's assurances on debt repayment, maintenance of central bank independence and preservation of private industry. Nonetheless, Peru is likely to face a fragmented government, with eleven political parties represented in the next parliament, none with more than 25% of the seats. External sovereign bond returns ranged from -0.47% to 1.74% and the average credit spread widened 5 bps.

Tunisia

The influential Tunisian General Labor Union (UGTT) rejected reform measures proposed by the government as part of an effort to secure a US$4 billion IMF loan. The proposal included eliminating subsidies and reducing the public sector wage bill. In our view, Tunisia's external financing needs remain manageable given the FX reserve and the access to multilateral and bilateral funding; however, the IMF deal is critical in controlling the fiscal deficit and implementing structural reforms. The ongoing negotiations with UGTT will likely delay an IMF deal until past July.

Suriname

The Suriname Ministry of Finance offered a debt restructuring proposal on 2 June to begin negotiations with creditors over the coming months. The two outstanding Eurobonds due in 2023 and 2026 amount to a par amount of US$675 million, equivalent to 20.6% of the country's total debt as of the end of 2020, according to Moody's. The government's proposal includes a 70% haircut on the outstanding nominal amount of debt, including interest accrued but not yet paid; a coupon reduction; and maturity extensions for both bonds to June 2029. According to the government plan, future cash payments from the country's gains from oil would partly compensate creditors for losses through a value recovery mechanism. The contemplated value recovery instrument would provide cash payments to bondholders involved in the restructured debt through future oil-based tax revenue. Creditors have not officially responded to the government, but in our view, are unlikely to support the government's proposal as it stands. Suriname's Eurobond prices recovered some of the losses that resulted from the government announcement, but returns remained negative for the week.

Chart of the Week

Foreign Holdings of EM Local Government Debt

As of April 2021
Source: Haver Analytics
Simple average of local government debt held by non-residents in Peru, Mexico, Brazil, Thailand, Indonesia, Malaysia, Poland, Romania, Hungary, Russia, South Africa, Turkey

Foreign investor positioning in local government debt markets continues to decline. This has been a trend since 2013. During the early months of the Covid pandemic foreign investors further reduced exposure to local markets but this positioning never reversed. In fact, we have been hitting new lows in recent months. This stands in stark contrast to the situation during the "taper tantrum" in 2013, when foreign investor positioning had increased rapidly in prior years making it vulnerable to a fast reversal. In our view, the current light positioning improves the risk profile of local markets.

Global High Yield

US High Yield

The US high yield market strength continued as positive fundamentals, ratings upgrades, mergers and acquisitions (M&A), stable interest rates, and a smaller-than-expected new issue calendar provided support. Lower-rated issues continued to outperform behind these positive factors, with energy once again the top industry as oil prices climbed above US$70. Food also posted strong gains as Fitch upgraded JBS and Pilgrim's Pride to BBB-. Electric underperformed due to weaker-than-expected prices in the PJM Capacity Auction. The market remains very receptive to lower-quality issuers as Bombardier (Caa2/CCC-) upsized their 5-year deal by US$200 million to $1.2 billion and tightened pricing to 7.125% vs 7.5-7.75% original price guidance. The bonds traded 2 points higher. Another notable new issue for the week was the debut issue for MicroStrategy. The Ba3-rated technology company upsized their 8-year offering by US$100 million to US$500 million and tightened pricing to 6.125% from 6.25-6.5%. Proceeds are expected to provide the company with additional funds to invest in Bitcoin. The bonds initially traded up 2 points before settling back down to issue price.

Leveraged Loans

The loan market saw another steady weak of gains as a slower new issue calendar, retail inflows from mutual funds and Exchange Traded Funds (ETFs), and Collateralized Loan Obligation (CLO) formation continued. The S&P/LSTA Leveraged Loan Index returned 0.14%, the average bid price increased 7 bps to US$98.19, and the spread-to-maturity tightened 2 bps to L+400. Returns across all ratings cohorts were positive, led by the lower-quality and discounted CCC portion of the market. We saw continued strength in reopening-themed sectors including airlines and leisure, while laggards were driven by idiosyncratic credit events including the previously mentioned weaker-than-expected PJM Capacity Auction, which drove secondary trading levels lower for related issuers. Notably, we've seen an uptick in M&A transactions again this week, with ICON PLC (ICON) launching a multi-billion dollar credit facility to acquire PRA Health Sciences Inc. (PRA) and to refinance debt at both companies. Both companies provide outsourced drug and device development and commercialization services to the pharmaceutical, biotechnology, medical device, and government and health organizations worldwide. Lastly, there were no defaults in the index last week.

European High Yield

Overall, European high yield returned +0.32% week-over-week. Performance across rating categories ranged from +0.26% to +0.37% with B-rated names underperforming. Spreads were 3 bps tighter overall, the compression theme continuing ahead of the European Central Bank (ECB) rate decision and statement on the pace of its bond buying program on 10 June. Companies took advantage of the current credit conditions to come to market with consumer product companies such as beauty company Coty (B2/B+) and battery maker Energizer (Caa3/B-) printing new EUR bonds.

Flows/Issuance

US high yield technicals remained supportive with stable retail fund flows and a slower-than-expected build to the new issue calendar to start June. Only US$6.7 billion of new issues priced during the week and only US$11.5 billion for the month.

In loans, we saw another supportive weak for technicals, with June new issuance off to a slower start than previous months and follows May, which saw issuance down approximately 40% from April. Over the course of the week, 13 deals for US$5.69 billion launched and only 1 deal has priced. Turning to demand, we continue to see CLO formation with 5 deals pricing this month totaling US$2.39 billion, which brings year-to-date issuance to Us$68.51 billion. Additionally, we continue to see inflows from retail loan mutual funds and ETFs. Further, we continue to see strong inflows with US loan funds posting a net inflow of $925.1 million for the week ended 9 June, marking the 22nd consecutive positive week, according to Lipper

European high yield showed a small inflow for the week, up US$275 million, according to EPFR data.

Source: Lipper, EPFR

Industry Insights

Consumer Products: Following a mixed earnings season that saw inline to modestly disappointing forward guidance, investors are very focused on the permanence of consumer habits formed during the pandemic, along with inflationary raw material costs and pricing actions taken by companies. The consumer will likely continue focusing on cleaning, wellness, and self-care, which should benefit household product, vitamin, and cosmetic companies going forward. Inflationary trends are unlikely to subside in the near term as shortages across almost all inputs rise, including freight and labor. Management teams are focused on their supply chains to control costs, while also implementing price increases with their retail partners to further offset margin headwinds. We will be monitoring these trends, which we expect to continue for the medium term.

Electric: Prices declined well below expectations in the latest PJM Capacity Auction from US$140 / megawatt-day (MW-day) to US$50/MW-day. On the demand side, prices were negatively impacted by lower overall demand and an increase in energy efficiency resources. Negative pressures from the supply side included a change in resource mix with fewer coal plants and new gas plants participating in the auction. These weak results will likely lead to additional closures for power plants that relied more heavily on revenue from capacity prices vs power prices. Furthermore, companies will likely attempt to offset the lost revenues with cost savings.

Financials: Consumer credit remains very strong this spring, especially among the lower-rated credit scored consumers. Strong credit signals from even these lowest-rated customers seems to continue as we see mid-quarter updates and monthly credit card data. Credit card net charge-off rates and 30-day delinquencies remained very low per April 2021 reporting. Auto lending is seeing particularly strong credit fundamentals as used car prices are even stronger for June. After the Ford Analyst Day it appears Ford's production issues will continue, but management said the June 2021 quarter should be the low point for production. The Ford CFO also expressed expectations that the Ford Motor Credit Corporation (FMCC) balance sheet will decline y/y. This should limit the amount of new debt FMCC issues in 2021. The limited production of new cars is increasing the runoff of dealer floor plan funding, further shrinking FMCC total assets.

Investment Grade

Governments

US Treasury yields were on a gradual descent following last week's softer-than-expected nonfarm payrolls release and ahead of Thursday's US CPI reading. The yield on 10-year US Treasuries fell 9 bps to end the period at a new three-month low of 1.49%. The US Treasury curve bull flattened, as longer-dated maturities saw stronger demand, with 5s30s contracting 6 bps to 142 bps. We saw further tempering of inflation expectations this week as 10-year Breakevens, a proxy of inflation expectations, fell another 13 bps to 2.33%.

Core European rates followed the overall trend lower with the yield on 10-year Bunds and Gilts ending the period 5 bps and 7 bps lower to -0.24% and 0.73%, respectively. Peripheral spreads were unchanged on the week with 10-year Spanish and Italian spreads steady at 0.65% and 1.07%, respectively.

Corporates

Investment grade corporates were again unchanged on the week leaving the OAS on the Bloomberg/Barclay's Corporate Index at +85 bps. Spreads have been range bound over the last few months, trading within a narrow band with shallow moves in spread. Trading volumes were mostly balanced with a slight skew towards net selling coming mostly in the 3-7-year maturity bucket.

Demand for corporates remains robust despite historically rich valuations, especially when accounting for longer durations and lower ratings within the index constituents. Spreads between BBB and A-rated bonds look tight at roughly 40 bps while spread curves look relatively flat when viewed over a longer time horizon, but have steepened slightly more recently.

Securitized

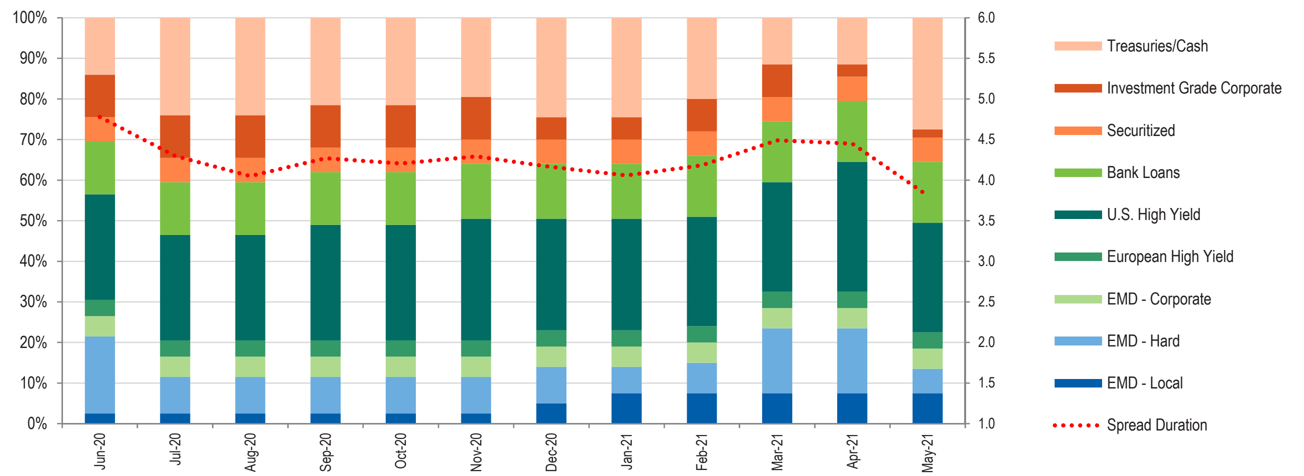
Agency mortgages widened 3 bps on the week's US Treasury rally, while commercial mortgage-backed securities (CMBS) were unchanged and asset-backed securities (ABS) were 1 bp wider. Mortgage prepayments dropped 16% as measured by Federal National Mortgage Association (FNMA) 30-year prepayments, reflecting rate increases, but burnout is not yet evident. In CMBS, a large US$3 billion New York City office building at One Vanderbilt is notably marketing as an ESG deal. Four commercial real estate (CRE) CLOs have converted to the Secured Overnight Financing Rate (SOFR) index from LIBOR, effective with the June period. The CLOs were issued in 2019-2021 with index fallback language although the underlying loans may remain indexed to LIBOR.

Flows/Issuance

High grade corporate fund flows were positive by US$2.765 billion according to EPFR. Corporate only funds saw net outflows of US$419 million, mostly from the long end, with US$1.2 billion exiting from ETF's (LQD). Aggregate funds and total return funds saw inflows of US$1.935 billion and US$1.248 billion, respectively. In the primary markets, roughly US$36.5 billion came to market with heavier issuance early in the week. New issues continue to see good demand and offer nothing in the way of concessions vs the secondary markets.

Source: EPFR

Stone Harbor Multi-Asset Credit Target Allocations (%)



Stone Harbor Multi-Asset Credit Representative Target Allocation as of 31 May 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 June 9, 2021		Spread or Yield Change (bps or %)						Total Return (%)				
		Level	1W*	MTD	QTD	YTD	LTM	1W	MTD	QTD	YTD	LTM
EM	EMBI Global Diversified	329	**1**	(2)	(24)	(21)	(129)	**0.7**	1.0	4.3	(0.4)	8.2
	CEMBI Broad Diversified	251	**0**	(1)	(6)	(18)	(157)	**0.4**	0.5	1.7	0.9	8.8
	GBI EM Global Diversified Yield	4.94	**(0.00)**	(0.01)	(0.06)	0.72	0.30	**0.5**	0.9	5.8	(1.3)	6.1
EM Sovereign Debt	EMBI Global Diversified	329	**1**	(2)	(24)	(21)	(129)	**0.7**	1.0	4.3	(0.4)	8.2
	EMBI GD Investment Grade	145	**3**	3	4	(3)	(58)	**0.7**	0.8	2.4	(3.1)	3.2
	EMBI GD High Yield	557	**(1)**	(7)	(63)	(51)	(248)	**0.7**	1.2	6.6	2.7	14.2
EM Sovereign Debt Regions	Africa	496	**(2)**	(7)	(60)	(60)	(222)	**0.9**	1.3	7.1	2.8	19.3
	Asia	203	**(0)**	(2)	(10)	(29)	(85)	**0.7**	0.9	3.2	0.5	5.3
	Europe	268	**0**	(1)	(22)	2	(63)	**0.6**	0.7	3.5	(1.0)	5.8
	LATAM	338	**3**	(1)	(23)	(16)	(161)	**0.7**	1.2	5.0	(2.0)	7.9
	Middle East	344	**(1)**	(0)	(15)	(24)	(102)	**0.8**	0.8	3.1	(0.2)	6.9
EM Corporates	CEMBI Broad Diversified	251	**0**	(1)	(6)	(18)	(157)	**0.4**	0.5	1.7	0.9	8.8
	CEMBI BD Investment Grade	154	**2**	1	5	(15)	(98)	**0.4**	0.5	1.2	(0.5)	5.8
	CEMBI BD High Yield	448	**(2)**	(4)	(22)	(37)	(233)	**0.3**	0.5	2.3	2.8	12.9
US High Yield	US High Yield	291	**(7)**	(5)	(19)	(69)	(268)	**0.4**	0.6	2.0	2.9	12.2
	US High Yield BB	220	**(4)**	(6)	(7)	(44)	(172)	**0.4**	0.6	2.0	1.8	10.4
	US High Yield B	315	**(7)**	(6)	(19)	(64)	(231)	**0.3**	0.5	1.7	2.9	10.8
	US High Yield CCC	493	**(16)**	0	(55)	(165)	(548)	**0.6**	0.8	2.8	6.5	21.0
European High Yield	Barclays PanEur HY	288	**(3)**	(7)	(25)	(68)	(219)	**0.3**	0.5	1.3	2.9	9.9
	2% Ex Financials Yield	3.00	**(0.04)**	(0.10)	(0.29)	(0.45)	(2.72)	**-**	-	-	-	-
Bank Loans	LSTA Price	98.2	**0.1**	0.1	0.6	2.0	7.0	**0.1**	0.2	1.3	3.1	10.1
	LSTA 100 Yield	3.60	**(0.03)**	(0.04)	(0.14)	(0.38)	(1.83)	**-**	-	-	-	-
Investment Grade	US Treasury 7-10 Yield	1.36	**(0.10)**	(0.09)	(0.24)	0.58	0.63	**0.8**	0.7	2.4	(3.5)	(3.2)
	1M LIBOR	0.07	**(0.01)**	(0.01)	(0.04)	(0.07)	(0.11)	**0.0**	0.0	0.0	0.1	0.1
	US Aggregate	32	**1**	2	1	(10)	(33)	**0.5**	0.5	1.6	(1.8)	0.2
	US Investment Grade Corporates	85	**0**	1	(6)	(11)	(63)	**0.8**	0.8	2.7	(2.1)	3.4
	Global Aggregate	33	**1**	1	0	(4)	(24)	**0.4**	0.4	0.9	(1.6)	0.7
	Barclays 1-5 Year Credit	37	**0**	0	(10)	(4)	(48)	**0.1**	0.1	0.8	0.2	2.5
FX	DXY (US dollar)	90.12						**0.2**	0.3	(3.3)	0.2	(6.4)
	GBI EM FX							**0.3**	0.7	4.2	0.4	3.3

1W reflects data from June 2 close through June 9 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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