August 27, 2021

WEEKLY COMMENTS ON CREDIT

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Global Market Summary

The general market tone was positive this week, ahead of the US Federal Reserve's (Fed) Jackson Hole meeting on Friday. Support for risk markets stemmed from vaccine news, as the US Food and Drug Administration (FDA) approved the Pfizer vaccine; as well as positive news flow from China, which announced they would stabilize the supply of credit and boost the amount of money supporting smaller businesses and the real economy. The sell-off in the US Treasury market was accompanied by risk-on sentiment in other asset classes as the US House passed the budget for the US$3.5 trillion infrastructure plan. Energy and commodity prices climbed this week, with oil prices gaining 10% since the start of the week, helped by improving confidence in the demand recovery. Credit spreads tightened and total returns were positive across most major sectors. Emerging Markets (EM) external sovereign debt -- led by non-investment grade bonds -- and US high yield bonds outperformed US investment grade bonds, on average. The US dollar index (DXY) declined, and EM currencies appreciated, on average.

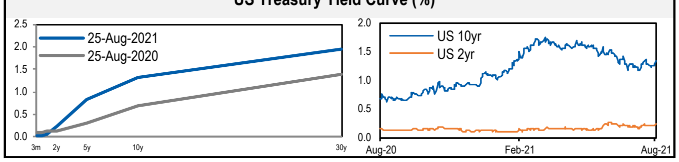
Emerging Markets

Index	Current Level (bps or %)	12 mos Change Spread or Yield (bps or %)	Weekly Change (bps)	12 mos Total Return
EMBI GD	343		-10	3.76%
EMBI GD IG	142		-7	0.20%
EMBI GD HY	570		-14	8.07%
Africa	532		-13	12.99%
Asia	216		-9	-0.15%
Europe	274		-10	5.60%
LATAM	358		-11	2.08%
Middle East	337		-8	2.87%
CEMBI BD	254		-5	5.99%
CEMBI BD IG	147		-5	3.12%
CEMBI BD HY	445		-7	10.01%
GBIEM GD (%)	5.01		-2	3.49%
EM Blend (%)	4.74		-2	4.44%
EMBI ESG	323		-11	2.82%
CEMBI ESG	260		-5	6.02%
GBI ESG (%)	4.84		-2	2.86%
		-300 -150 0 150		Aug-20 Feb-21 Aug-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	297		-12	9.98%
US HY BB	208		-14	8.19%
US HY B	338		-14	8.71%
US HY CCC	539		7	18.83%
Pan Euro HY	296		0	8.36%
LSTA 100 (%)	3.85		-2	8.58%
		-200 -100 0 100 200		
US Treasury 7-10 (%)	1.26		7	-3.22%
1M LIBOR (%)	0.09		0	0.13%
US Agg	36		-1	-0.45%
US IG Corp	88		-2	1.90%
Global Agg	34		-1	0.54%
		-100 0 100 200		Aug-20 Feb-21 Aug-21

US Treasury Yield Curve (%)



Other Asset Classes
(12 mos Total Return)

	Level	Currency Return vs USD		Level	Commodities		Level	Equities
EURUSD	1.18	-0.53%	Gold	1,791	-8.31%	S&P500	4,496	30.57%
USDJPY	110.02	-3.27%	VIX	17	-23.79%	MSCI World	9,396	30.87%
EM FX		2.56%	Brent	72	57.54%	MSCI EM	3,064	17.00%
		Aug-20 Feb-21 Aug-21			Aug-20 Feb-21 Aug-21			Aug-20 Feb-21 Aug-21

As of: August 25, 2021. Source: Bloomberg. For illustrative purposes only. See disclosures at end of material for additional information.

Global Backdrop

United States

The spread of the Delta variant and the evacuation from Kabul have captured the headlines this week. At the same time, the economic recovery continues but perhaps with a little less momentum than we have been seeing. Manufacturing PMI dipped slightly but remain at high levels. The services PMI declined somewhat more markedly to 55.2 from 59.9, perhaps reflecting a degree of caution around the spread of the Delta variant. Both readings were below expectations. Housing starts declined 7% month- over-month, although permits and existing home sales surprised to the upside. The Citi Surprise Index for the US economy moved further into negative territory ending the week at -48. The Fed messaging remains mixed with Fed Governor Bullard indicating that he would like to see tapering completed by end Q1 2022 and rate rises thereafter, while other hawks have indicated a willingness to be swayed by the progression and economic impact of the Delta variant.

Europe

The Citi Surprise Index for the European economy crossed into negative territory ending the week at -13.3. This was reading in excess of 100 in February. The decline in this reading would appear to be a function of elevated expectations rather than poor data. Indeed, preliminary PMI readings for Europe remain close to 60 for both the services and manufacturing components. In Germany, the IFO Business Climate Index did decline modestly, but the expectations component rose, suggesting that any moderation in growth is seen as temporary.

European Covid-19 numbers have on balance continued to come in positive after an early summer scare in the main holiday destinations of Spain, Italy and France. Having said that, the situation in Germany and the UK has deteriorated somewhat.

UK July CPI came in significantly below expectations at 2% year-on-year. Although this may give some succour to those who judge the inflation surge to be temporary, the jury remains out with base effects likely to see a significant upward move in readings over the next two to three months. UK sales and the services PMI both disappointed, although manufacturing readings held firm. Supply chain issues have started to capture the headlines in the UK with the combination to Covid isolation rules and post Brexit visas issues being blamed for severe shortages in workforces.

Japan/Asia

Despite rising vaccination rates, Covid lockdowns continue to dominate sentiment in Japan, Australia, and New Zealand. Like elsewhere, supply chain issues are impacting Japan with Toyota, for example, saying that it will cut global production by 40%.

Economist Corner

Seamus Smyth, PhD, Developed Markets

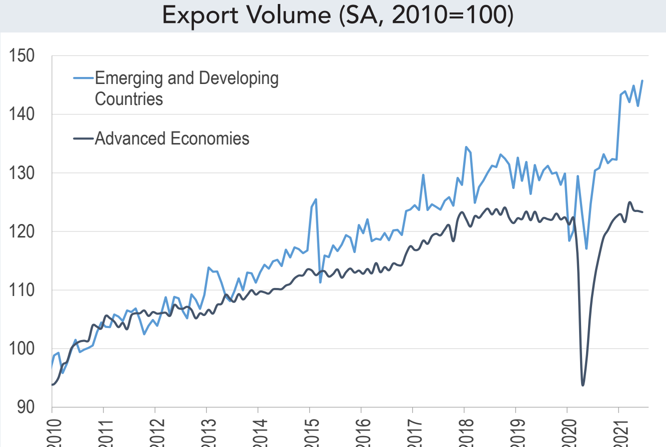
Global trade data remains strong as EM export volume reached a new all-time high in June. While strong goods demand worldwide has impacted both developed markets (DMs) and EMs, the latter have benefitted disproportionately. In DMs, export volumes have recovered to roughly match pre-pandemic levels. In contrast, EM exports already exceed pre-pandemic levels by more than 10%. The strong export volume performance has been complemented by higher export (commodity) prices and thus enabled the rapid improvement in EM external accounts that we have been highlighting.

However, record trade volumes have also strained global logistics capacities. This has led to higher transport costs as highlighted by the Baltic Dry Index and has also contributed to reported supply chain disruptions. Both are contributing to the temporary price pressures we are currently seeing across DMs and EMs.

Steffen Reichold, PhD, Emerging Markets

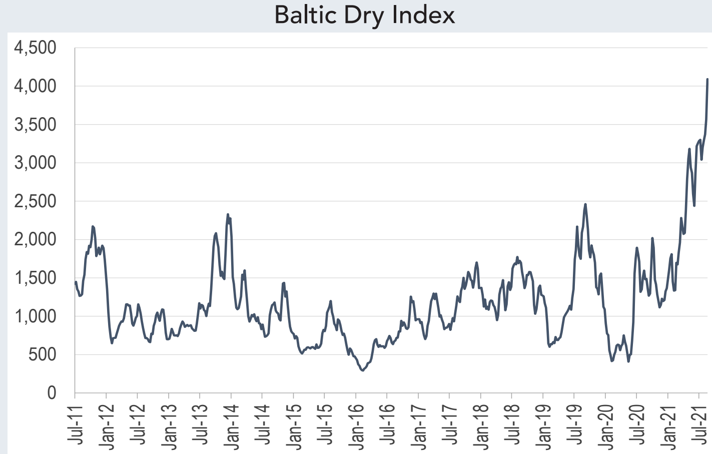
Going forward, we see reasons for trade volumes to remain strong. Most importantly, the global recovery is continuing as vaccination rates are rising and the spread of the Delta variant is slowing, while expansionary policies remain in place, especially across most DMs. But we also expect additional gains to be substantially slower in the near future. Logistics capacity limits are certainly relevant, but probably more important is the rebalancing of demand back towards services that we expect as the global economy gradually normalizes. Over time, this should lead to strong demand growth for services, partially reversing the trend of stronger goods demand since the start of the pandemic. We are already seeing some evidence of this moderation in PMI export order data and some countries with shorter reporting lags. Nevertheless, we expect this to be a gradual moderation and not a reversal of the strong global trade performance.

Export Volume (SA, 2010=100)



As of: 30 June 2021
Source: Haver Analytics, Netherlands Bureau for Economic Policy Analysis, Stone Harbor Investment Partners LP

Baltic Dry Index



As of: 31 July 2021
Source: Bloomberg, Stone Harbor Investment Partners LP

Emerging Markets Debt

External Sovereign Debt

External sovereign debt spreads tightened 10 bps and the JP Morgan EMBI Global Diversified returned 0.4%. Non-investment grade securities outperformed investment grade bonds, on average. The top country performers included Sri Lanka (+7.1%), Argentina (+3.3%) and Ecuador (+3.1%). The bottom performers included Tajikistan (-1.8%), Tunisia (-0.7%), and Costa Rica (-0.6%).

Local Currency Debt

The JP Morgan GBI EM Global Diversified returned 0.4%. EM currencies returned 0.2% in aggregate. The top performers included the Thai baht (+1.3%), Brazil real (+1.2%), and Philippine peso (+1.2%). The bottom performers included Mexico (-1.6%), Russia (-0.4%), and Colombia (-0.2%).

The yield of the JP Morgan GBI EM Global Diversified declined 2 bps to 5.01%. The biggest outperformer was Brazil, where yields declined by 49 bps, followed by Dominican Republic (-22 bps) and indonesia (-14 bps). Hungary underperformed, with bond yields rising 13 bps, followed by Romania (+8 bps) and Russia (+7 bps).

In central bank actions, China's 1-year and 5-year loan prime rates were kept unchanged at 3.85% and 4.65%, respectively. Hungary hiked its key rate by 30 bps to 1.5%, and announced it would decrease weekly purchases of government securities from HUF 60 billion to HUF 50 billion.

EM Corporate Debt

The CEMBI Broad Diversified continued to generate positive performance again this week, led by African regional credits, specifically Nigeria, South Africa, and Zambia. While Asia as a region posted flat performance, China returned 0.33% for the week, driven by earnings strength in the property sector (excluding Evergrande) and more news on the recapitalization of Huarong Asset Management.

Flows/Issuance

No EM coutry issued debt this week. In EM corporate debt, it was another relatively quiet week in the new issue market as the primary market came to a virtual halt as we enter the final few weeks of summer. Week-to-date, issuance was only US$1.4 billion entirely from investment grade issuers in Asia; and month-to-date issuance stands at US$15 billion versus US$378 billion year-to-date.

According to Emerging Portfolio Fund Research (EPFR), EM fixed income funds saw net outflows of approximately US$70 million for the week through 24 August. Outflows from local currency funds more than offset positive 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

Argentina

According to local sources, the government of Argentina and the International Monetary Fund (IMF) have reached an agreement, which would help ensure upcoming December debt payments. Bonds were up across the curve on the news. In addition, as the IMF's US$650 billion Special Drawing Rights (SDRs) took effect this week for member countries, Argentina confirmed it has received approximately US$4.33 billion equivalent in SDR allocation, according to the Economy Minister.

As Argentina's mid-term elections in November draw closer, and with all parties having confirmed their candidates, attention is growing around the ruling party's Frente de Todos coalition and the declining popularity of President Alberto Fernandez. Ahead of the November elections, the PASO primaries, scheduled for 12 September, will determine the candidates for Argentina's midterm elections and will impact the government's ability to pass legislation. Nearly half of the lower house Chamber of Deputies (127 of 257 seats) is up for re-election, and a third of the Senate (24 of 72 seats) is also up for renewal.

Chile

On 21 August, the center-left coalition Unidad Constituyente, held an unofficial primary election that resulted in Yasna Provoste emerging as the coalition's representative, as was widely expected, with over 60% of the votes. The coalition brings together former members of the Christian Democratic Party, the Socialist Party, the former Radical Party and others. Provoste was followed by Paula Narvaez (with 27%) and Carlos Maldonado (12%). Provoste will thus seek Chile's presidency alongside candidates Gabriel Boric (left), Sebastian Sichel (centre right), José Antonio Kast (right), and others who announced their candidacy by the official close of the presidential registrations on 23 August. Of note, a very low turnout of only 151,000 votes suggest some weakness of voter participation ahead of the first-round presidential election in November. Servel, the electoral service of Chile, will now vet the nominations before considering the candidates officially registered. In our view, the current environment underscores the deeply fractured political scene, with elevated uncertainty moving forward.

China

Following disappointing growth and credit readings in July for China, the People's Bank of China (PBOC) announced that they would stabilize the supply of credit and boost the amount of money supporting smaller businesses and the real economy. July credit growth had posted its weakest reading since February 2020, driven by a sharp slowdown in shadow banking and tighter rules for property developers financing. Counter-cyclical measures from the PBOC could potentially include a further reduction in banks' reserve requirements, and cuts in longer-term lending rates. The release of the statement stabilized sentiment in commodity and Asian equity markets, which partially reversed some of the losses seen in recent weeks, as fears of a sharp Chinese growth slowdown abated.

Mexico

An explosion at an offshore oil platform operated by Mexico's state-owned oil company PEMEX has led to five deaths, missing contract workers, and disruption in oil production. The shutdown of affected wells resulted in reduced oil production of 421,000 barrels per day, which is equivalent to approximately 25% of Mexico's output. The fire was reportedly brought under control hours later, and the company has said that they plan to resume full crude production by next Monday. Bonds have retraced recent strong gains, but ended the week essentially unchanged.

Peru

Credit spreads tightened this week, on reports that President Pedro Castillo is considering a cabinet reshuffle ahead of a critical confirmation vote by the opposition-led Congress late this week. Having already replaced his original pick for foreign minister with a more moderate candidate, local press reports that he is considering changes to four other ministers, including the current PM nominee Bellido. This may signal a shift in course towards a more market-friendly cabinet, potentially signalling a split between Castillo and Vladimir Cerron – the radical founder of Castillo's party, Peru Libre. We note that it is still unclear whether Castillo intends to replace more than the foreign minister in his cabinet.

Sri Lanka

Sri Lankan credit spreads tightened over 200 bps this week, on local press reports that the Government would be seeking IMF assistance besides the increase in the SDR facility. While the reports lacked any official corroboration, it does come after several other small improvements since the change in Finance Minister in early July, such as a surprise 50 bps hike in interest rates, and rumors of a reset in policy direction in the 2022 budget, due to be presented in November. Prices remain at relatively stressed levels, however, as given the size of the debt burden, it is unclear whether the IMF would require Policy Support Instrument in any eventual formal program. Meanwhile, near-term liquidity concerns were alleviated by the inflow from the IMF SDR allocation, a China Development Bank loan, and Bangladesh Bank FX swap line. Taken together, this should push FX reserves to near US$4 billion at the end of August, from just US$2.8 billion at the end of July.

Thailand

The government announced plans to ease Covid-related restrictions as cases appear to be peaking. The Thai baht strengthened almost 2% from last Friday's levels following the announcement, outperforming its peers. Moody's affirmed its Baa1 rating on Thailand with a stable outlook, citing the relatively limited impact of the pandemic on the nation's long-term growth potential. We view the potential opening of the tourism sector as a positive credit development, while at the same time acknowledging the risks around the virus variant and its impact on Thailand's reopening plans.

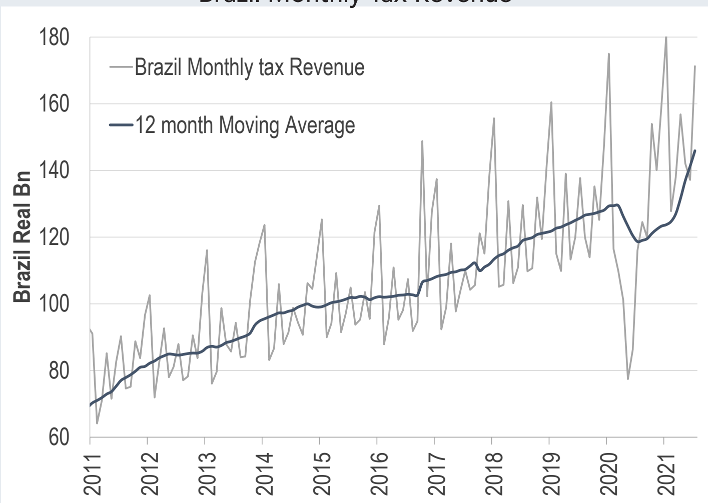
Tunisia

Adding to ongoing political tensions, President Kais Saied extended the suspension of Tunisia's parliament indefinitely. Unpredictability of the presidential decisions, the increasingly populist trends, the higher political polarization, the difficult social backdrop and the strong influence of the UGTT labor hinder Tunisia's ability to implement near-term economic reform. While these factors weigh on the implementation or conclusion of stalled program negotiations with the IMF, there is still the possibility that political situation gets resolved over next several months, in our view. There is also likely more financing involvement from the Gulf Cooperation Council moving forward. In the latest sign of support, Saudi Arabia pledged over the weekend to provide assistance to President Saied against his Islamist opponents.

Chart of the Week

Brazil's tax revenue continue to be exceptionally strong. The good performance has been supported by the commodities boom, the gradual decline in Covid-19 cases, and the continuing recovery. As of July, cumulative 12-month revenue collection exceeded the pre-pandemic level by 13%. This has helped alleviate fiscal pressures and allowed a rapid narrowing of the primary fiscal deficit. However, spending pressures also remain high. The country is moving closer towards elections (scheduled for October next year) and President Bolsonaro is struggling with rapidly declining approval ratings. In that context, the government and Congress are negotiating over a number of important fiscal issues, including the income tax bill, the constitutional amendment to delay court-ordered payments, the new cash transfers program, and the upcoming 2022 budget. Keeping the spending caps as the key fiscal anchor will be very important. But the strong tax revenue has also created some additional fiscal space that can be used in response to political pressures, thus improving Brazil's outlook.

Brazil Monthly Tax Revenue



As of: 31 July 2021
Source: Bloomberg, Ministerio da Fazenda, Stone Harbor Investment Partners LP

Global High Yield

US High Yield

The US high yield index gained and yields dropped for the fourth consecutive session as the primary market ground to a halt. Index yields fell to 4.01%, spreads are now below +300 bps, and CCC's slightly outperformed with +39 bps in total return. Liquidity and technicals of the market are evident with dealers looking to keep inventories light into September; and approximately US$25 billion of organic cash coming into the market over the next three weeks is keeping a persistent bid leading to a steady grind higher. Issues with more yield and in reopening sectors saw the most demand and the top performing sectors included airlines, leisure, lodging, refining, energy, retail and healthcare. On Semiconductor Corp. acquired GT Advanced Technologies, which manufacturers materials for next generation semiconductors primarily used in electric vehicles, electric vehicle charging, and energy infrastructure, for US$415 million. KAR Auction Services purchased Carwave Holdings for US$450 million, helping KAR accelerate its transformation to a digital marketplace company. Endo International PLC tapped a restructuring advisor to help the drug maker evaluate its options for dealing with thousands of lawsuits alleging it contributed to the opioid crisis.

Leveraged Loans

As activity slowed in capital markets, the loan market held onto its upward trend. For the week, the S&P/LSTA Leveraged Loan Index returned 0.12%, the average bid price increased 5 bps to $98.15, and the spread-to-maturity was unchanged at L+408. In a change from the first-half of the month, we saw higher-rated BB and B rated loans outperform lower quality CCC rated loans. From an industry sector perspective, we saw E&P, airlines, and the media/other sectors outperform, while the refining, midstream, and retail non food/drug sectors underperformed. Lastly, there were no defaults in the index last week.

European High Yield

Overall European high yield declined .02% week on week, as higher beta credits outperformed due to strong earnings and higher quality credits declined slightly with rates. CCC rated issues outperformed for the week with gains of 0.20%. Index spreads widened by 1 bps, with CCC spreads outperforming and 25 bps tighter. Media and Supermarkets outperformed on strong earnings, while airlines and telecom underperformed. Softbank bonds remain volatile based on the performance and sentiment of Chinese technology stocks.

Flows/Issuance

US high yield flows were positive US$271 million led by ETFs. Secondary volumes were lighter than usual attributed to end of summer slowdown in new issuance and thinly staffed offices. Three new issues priced for US$1.45 billion and will be quiet until after Labor Day. September expectations are in the US$40-50 billion range.

In the loan market, we saw a slowdown in primary market activity this past week, which was welcomed after a busy first half of the month. Aarrangers launched one deal, and we expect this trend to continue through the Labor Day holiday. That said, demand for Loans remained healthy. We saw several days of steady inflows in to the asset class from retail loan mutual funds and Exchange Traded Funds (ETFs), which we expect to drive another weekly inflow as measured by Lipper. Additionally, we saw a step-up in Collateralized Loan Obligation (CLO) formation this past week, with nearly US$9 billion worth of deals pricing, bringing the month-to-date figure to US$16.6 billion, which is already well ahead of July's US$10 billion figure. This puts year-to-date CLO issuance at a robust US$109 billion.

For European high yield flows, EPFR data showed an outflow of US$78 million, lowering the August total to US$256 million and the quarter-to-date amount to US$611 million.

Source: Lipper, EPFR

Industry Insights

Containers: A few late cycle private packaging companies reported Q2 results, which demonstrated the resiliency of the ongoing economic recovery with volume trends continuing to improve across the segments most impacted by Covid-19 related shutdowns. Conversely, elevated raw material input costs continue to post challenges across the industry as feedstock prices for resin and paper fibers remain elevated due to earlier supply side shocks, coupled with continued elevated demand. As supply chains continue to normalize over the next one to two quarters, we are likely to see many of these headwinds abate and provide a tailwind for our portfolio credits over the medium term.

Financial: Over the last two weeks, a number of high yield rated insurance brokers reported earnings, which have been very strong as insurance pricing and recent M&A purchases of smaller brokers helped increase revenue year-over-year. This, combined with the easy comps vs 2020 this is leading to reported revenue increases of high signal digits to double digit growth year-over-year. A number of companies have forecast that Property and Causality (P&C) insurance rates (prices paid) should increase around 5% year-over-year in 2021. One Company forecast that this same level of rate increases in the first half of 2022 as well. This should lead to continued year-over-year revenue growth by most high yield insurance companies. A number of reporting companies have emphasized that Specialty and Wholesale insurance rates are increasing "double digits year-over-year in 2021." Price increases in these categories are driven by large P&C companies refusing to cover some risker categories of insurance because of weather risk and other changes in risk appetite. Finally, insurance brokers are also showing a large onetime benefit to margins as travel and entertainment spending is forecast for 2021 to run at half the level of 2019 spending. This margin benefit should not continue in 2022. Both public market and private transactions in the insurance brokerage industry remain high with the larger deals pricing at EV/EBITDA multiples over 10x and smaller transactions pricing in the 8-10x multiple ranges.

Leisure: The FDA's grant of full approval to Pfizer's Covid-19 vaccine provided a boost to the reopening trade and sparked a rally in leisure bonds. After experiencing strong demand and improving pricing trends, the cruise industry did experience a slowdown in close-in bookings and a shorter booking window in locations with high Covid cases. Investor outlook for the cruise industry is focused on the vaccination rate and the spread of the Delta variant. The cruise industry continues to plan for the return to service of all ships by spring 2022 and expects results to improve due to significant pent-up demand.

Investment Grade

Governments

Despite an early week rally, a focus on the upcoming Fed meeting has seen yields rise. The yield on 10-year Treasuries ended the period 9 bps higher at 1.34%. US 5-year yields ended the week at 83 bps, a rise of 7 bps. Volatility, as measured by the ICE BofAML MOVE Index rose to 64. US 10-year real yields, which strips out the expected impact of inflation, continued their recent rise ending the week at -1.01%. Breakevens, a proxy of inflation expectations, rose 3 bps to 2.35%, but remain in the range of the past two months.

Core European rates also ended the period higher as the yield on 10-year Bunds and Gilts rose 8 bps and 4 bps to -0.41% and 0.61%, respectively. Similarly, the Australian government bond yields followed the trend and ended the period 4 bps higher at 1.18%. Japanese government bonds held stable at 2 bps.

Corporates

Investment grade corporates caught a bid this week with investors focused on the secondary market, given the lack of new issue in the primary markets.   Spreads were better by 2 bps on the week leaving the Bloomberg/Barclay's corporate OAS at +88 bps, still wider by 2 bps for the month, and off 8 bps from the post pandemic tights at the end of June but better by 8 bps on the year. Spreads were also aided by rising equities, higher oil prices, and rising treasury rates, which enticed yield buyers, while taking index yields to 2.04%. Trading volumes were light at the onset of the week, but saw a lift towards the end with buying concentrated in lower rated BBB's with maturities under 12 years, according to trace weekly volumes. In the credit derivatives markets, CDX IG36's traded back through the +50 bps level in light volumes and look to be settling in around +48.25 bps in spread, which is better by roughly 1.75 bps on the week.

Securitized

In a slow summer week, securitized spreads were range-bound and new issuance was light. Only 11% of the US$46.5 billion Emergency Rental Assistance program has been distributed. This comes as the Supreme Court considers whether to strike down the national eviction moratorium extended by President Biden. Fitch upgraded 570 Credit Risk Transfer (CRT) bonds on fast prepays and deleveraging. The US Department of Education cancelled US$4.8 billion in student debt for 320,000 borrowers with disabilities. Bank credit card data shows net charge-offs and 30+ delinquencies at record lows, and excess spreads at record highs.

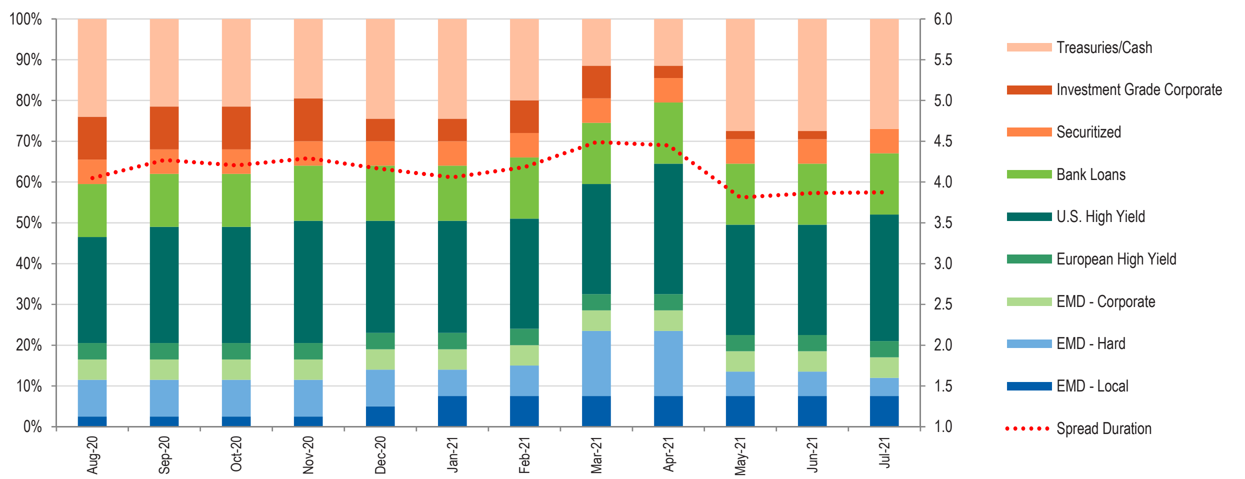
Flows/Issuance

Investment grade corporates reported inflows of US$5.5 billion for the latest period. Inflows were seen in every category with short and intermediate aggregate flows providing the bulk of the inflow (US$3.812 billion), although total return funds were respectable at US$1.076 billion. Monthly flows for July recorded inflows of US$31 billion,which was down 15% vs. the 1H 2021 average of US$37 billion.

In the primary markets, US$2.55 billion priced this week, around the middle of dealer estimates for what was expected to be a very quiet week. This leaves August supply at US$87.16 billion and the year at US$1.012 trillion. Syndicate desks are gearing up for a busy September with early estimates of supply ramping up to a range of US$135-US$150 billion.

Source: EPFR

Stone Harbor Multi-Asset Credit Target Allocations (%)



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

Credit Market Indices Snapshot

		Spread or Yield Change (bps or %)						Total Return (%)				
As of August 25, 2021		Level	1W*	MTD	QTD	YTD	LTM	1W	MTD	QTD	YTD	LTM
EM	EMBI Global Diversified	343	**(10)**	(12)	4	(8)	(76)	**0.4**	0.5	0.9	0.2	3.8
	CEMBI Broad Diversified	254	**(5)**	(15)	4	(16)	(103)	**0.1**	0.5	0.7	2.0	6.0
	GBI EM Global Diversified Yield	5.01	**(0.02)**	0.09	0.03	0.79	0.55	**0.4**	(0.9)	(1.3)	(4.6)	3.5
EM Sovereign Debt	EMBI Global Diversified	343	**(10)**	(12)	4	(8)	(76)	**0.4**	0.5	0.9	0.2	3.8
	EMBI GD Investment Grade	142	**(7)**	(13)	(4)	(7)	(39)	**0.1**	0.5	1.0	(1.5)	0.2
	EMBI GD High Yield	570	**(14)**	(9)	(12)	(38)	(183)	**0.6**	0.4	0.7	2.2	8.1
EM Sovereign Debt Regions	Africa	532	**(13)**	(11)	12	(23)	(153)	**0.6**	0.5	0.7	2.4	13.0
	Asia	216	**(9)**	(12)	8	(16)	(11)	**0.2**	0.4	0.8	1.1	(0.2)
	Europe	274	**(10)**	(16)	1	9	(61)	**0.3**	0.7	1.3	0.2	5.6
	LATAM	358	**(11)**	(11)	8	4	(92)	**0.5**	0.5	0.9	(1.5)	2.1
	Middle East	337	**(8)**	(10)	(5)	(30)	(67)	**0.2**	0.3	0.7	0.8	2.9
EM Corporates	CEMBI Broad Diversified	254	**(5)**	(15)	4	(16)	(103)	**0.1**	0.5	0.7	2.0	6.0
	CEMBI BD Investment Grade	147	**(5)**	(11)	(2)	(22)	(64)	**0.0**	0.2	0.8	0.6	3.1
	CEMBI BD High Yield	445	**(7)**	(21)	(0)	(40)	(173)	**0.2**	0.7	0.5	3.7	10.0
US High Yield	US High Yield	297	**(12)**	3	29	(63)	(182)	**0.4**	0.1	0.4	4.1	10.0
	US High Yield BB	208	**(14)**	(6)	8	(56)	(128)	**0.4**	0.1	0.9	3.6	8.2
	US High Yield B	338	**(14)**	3	44	(41)	(147)	**0.4**	(0.0)	0.0	3.4	8.7
	US High Yield CCC	539	**7**	37	77	(119)	(461)	**0.4**	(0.1)	(0.3)	6.8	18.8
European High Yield	Barclays PanEur HY	296	**0**	(6)	8	(60)	(159)	**(0.0)**	0.2	0.6	3.6	8.4
	2% Ex Financials Yield	3.25	**0.04**	0.00	0.22	(0.19)	(1.80)	**-**	-	-	-	-
Bank Loans	LSTA Price	98.2	**0.1**	0.1	(0.2)	2.0	5.6	**0.1**	0.3	0.3	3.6	8.6
	LSTA 100 Yield	3.85	**(0.02)**	(0.05)	0.15	(0.13)	(1.07)	**-**	-	-	-	-
Investment Grade	US Treasury 7-10 Yield	1.26	**0.07**	0.12	(0.11)	0.48	0.68	**(0.5)**	(0.7)	1.2	(2.2)	(3.2)
	1M LIBOR	0.09	**(0.00)**	(0.00)	(0.01)	(0.06)	(0.08)	**0.0**	0.0	0.0	0.1	0.1
	US Aggregate	36	**(1)**	1	4	(6)	(22)	**(0.2)**	(0.5)	0.6	(1.0)	(0.4)
	US Investment Grade Corporates	88	**(2)**	2	8	(8)	(42)	**(0.2)**	(0.7)	0.7	(0.6)	1.9
	Global Aggregate	34	**(1)**	0	2	(3)	(15)	**(0.2)**	(0.3)	1.0	(0.5)	0.5
	Barclays 1-5 Year Credit	39	**(1)**	1	4	(2)	(22)	**(0.0)**	(0.2)	0.1	0.2	1.2
FX	DXY (US dollar)	92.83						**(0.3)**	0.7	0.4	3.2	(0.2)
	GBI EM FX							**0.2**	(0.7)	(1.9)	(3.4)	1.8

1W reflects data from August 18 close through August 25 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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Stone Harbor
INVESTMENT PARTNERS

CONTACT

Main Office - New York

31 W. 52 Street
16th Floor
New York, NY 10019
+ 1 212 548 1200

London Office

48 Dover Street
5th Floor London,
W1S 4FF
+ 44 20 3205 4100

Singapore Office

3 Killiney Road
Winsland House 1
Singapore 239519
+ 65 6671 9711

ClientService@shiplp.com **www.shiplp.com**