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INVESTMENT PARTNERS

November 5, 2021

WEEKLY COMMENTS ON CREDIT

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Global Market Summary

Communications following the US Federal Reserve's (Fed) FOMC meeting were the main focus this week. As expected, the Fed announced it will begin tapering asset purchases later this month at a pace of US$15 billion per month, comprising US$10 billion of Treasuries and US$5 billion of mortgage-backed securities. Overall, the message was balanced and maintained a tone of patience in raising rates, but also underscored the Fed's readiness to hike if needed based on further incoming economic data, particularly employment and inflation data. In terms of the latest data releases, the US labor market is showing further signs of strengthening into Q4 as suggested by stronger ADP and claims data. The ISM services and non-manufacturing data are also pointing to re-acceleration as we approach Q4. In the Eurozone, October PMIs reflect near-term slowdown but medium-term resilience. In emerging markets as a whole, purchasing manager data trended higher. Credit spreads and total returns were mixed across major sectors. In comparison, emerging markets debt (EMD) outperformed US high yield debt in spread return. The US dollar index (DXY) advanced, and EM currencies depreciated, on average.

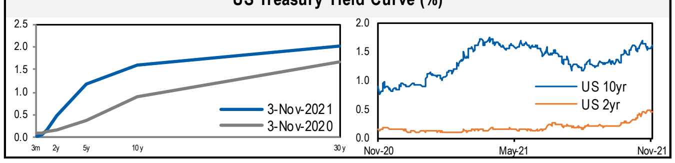
Emerging Markets

Index	Current Level (bps or %)	12 mos Change Spread or Yield (bps or %)	Weekly Change (bps)	12 mos Total Return
EMBI GD	356		-3	3.57%
EMBI GD IG	146		-4	-0.07%
EMBI GD HY	602		2	8.13%
Africa	592		8	8.14%
Asia	213		-10	2.54%
Europe	279		-2	4.79%
LATAM	378		3	1.43%
Middle East	324		-12	4.16%
CEMBI BD	266		0	5.11%
CEMBI BD IG	148		-3	2.36%
CEMBI BD HY	473		6	9.00%
GBIEM GD (%)	5.67		6	-0.50%
EM Blend (%)	5.13		3	2.75%
EMBI ESG	335		-2	2.56%
CEMBI ESG	274		-2	4.99%
GBI ESG (%)	5.53		7	-1.48%
		-300 -150 0 150		Nov-20 May-21 Nov-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	338		8	10.01%
US HY BB	240		7	7.82%
US HY B	388		8	8.79%
US HY CCC	676		14	22.00%
Pan Euro HY	314		-3	7.53%
LSTA 100 (%)	3.81		4	8.39%
		-200 -100 0 100 200		
US Treasury 7-10 (%)	1.52		4	-3.75%
1M LIBOR (%)	0.09		0	0.11%
US Agg	32		0	-0.59%
US IG Corp	85		0	1.84%
Global Agg	33		0	-0.72%
		-100 0 100 200		Nov-20 May-21 Nov-21

US Treasury Yield Curve (%)



Other Asset Classes
(12 mos Total Return)

	Level	Currency Return vs USD			Level	Commodities			Level	Equities	
EURUSD	1.16		-0.88%	Gold	1,764		-8.88%	S&P500	4,661		38.33%
USDJPY	114.01		-8.34%	VIX	15		-57.52%	MSCI World	9,679		37.51%
EM FX			0.98%	Brent	82		106.47%	MSCI EM	3,046		15.31%
		Nov-20 May-21 Nov-21				Nov-20 May-21 Nov-21				Nov-20 May-21 Nov-21	

As of: November 3 2021. Source: Bloomberg. For illustrative purposes only. See disclosures at end of material for additional information.

Global Backdrop

United States

The US and EU reached an agreement on a revised steel and aluminium tariff system ahead of 1st December when the new European tariffs would automatically come into effect. The truce includes a tariff-rate quota provision, which is a progressive levy system. Details around the specific levels will be announced at a later time. Both sides will benefit from the new agreement as this is expected to, at least in part, alleviate some of the supply chain pressures.

On the political front, Republican Glenn Youngkin defeated Democrat Terry McAuliffe in Virginia's governor's race to become the first Republican to win in over a decade. In response to the loss, President Biden said the election outcome reflects the urgency for Democrats to pass his economic agenda through Congress.

Europe

The ECB kept its policy rates unchanged, as expected, and reiterated that it judges favourable financing conditions can be maintained with a moderately lower pace of net asset purchases under PEPP (Pandemic Emergency Purchase Programme). The ECB acknowledged the recent rise in inflation and said that progress "is sufficiently advanced to be consistent with inflation stabilizing at 2% over the medium term." President Christine Lagarde said that monetary policy will remain a primary tool in supporting the recovery after the expected end of PEPP.

UK and EU tensions eased this week after French president Emmanuel Macron decided against imposing additional custom controls on British goods and blocking fishing vessels from landing their catches in France. Macron said sanctions will be delayed to allow negotiations more time.

Japan/Asia

Chinese PMIs decelerated in October as energy rationing, elevated cost pressures and a resurgence of infections dampened activity. Manufacturing, which has been losing momentum since April, fell deeper into contraction. In contrast, the Caixin PMIs reflect further expansion as infections subsided by mid-October. Divergence between the two indices have occurred more frequently, since the pandemic, but the official reading tends to be a better gauge for the overall health of the economy. Chinese Premier Li Keqiang said that China's economy continues to face headwinds and suggests tax relief for SMEs "cross-cyclical adjustments" to recoup economic momentum.

The Bank of Japan (BOJ) kept its policy rates unchanged, reduced this year's growth outlook by 0.4% to 3.4% and trimmed its inflation target down from 0.6% to 0.0%. The coalition between the Liberal Democratic Party and Komeito took 293 out of 465 seats in the recent lower house general elections. This was perceived as being conducive for a smooth transition into fiscal stimulus.

Economist Corner

Seamus Smyth, PhD, Developed Markets

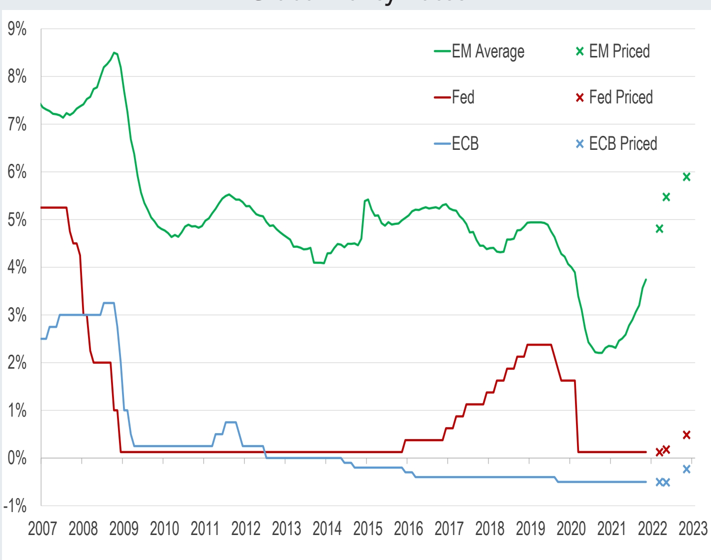
Steffen Reichold, PhD, Emerging Markets

EM central banks have been highly pro-active in response to economic and inflationary developments since the beginning of the pandemic. The initial reaction was large rate cuts to support their economies during the early phase of the pandemic. As activity recovered and inflation started to pick up central banks changed course quickly. So far, the average policy rate in EM (GBI-EM GD weighted) has been raised by about 150 bps already with some central banks delivering much more (575 bps in Brazil, 325 bps in Russia, and 250 bps in Czech Republic).

As inflation has continued to surprise on the upside in recent months, the rate hikes have also been higher than expected. At this time, the cumulative rate hikes have largely reversed the pandemic-related rate cuts. But with inflation running higher than before the pandemic, this means (inflation-adjusted) real policy rates are still lower. In our view this is important because it means that monetary policy is not impeding the continued economic recovery.

However, we expect this to change significantly over the next year. Markets are pricing in another 200 bps on average, most of that in the next six months. As inflation rates are expected to peak early next year and then gradually decline, we expect to see relatively high real rates. This will put EMs in a good position to ensure that inflation will trend lower, ultimately creating room for later rate cuts. Moreover, with the Fed not expected to raise rates until later in 2022, the rate differential is moving sharply in favor of EMs. This should ultimately create a supportive backdrop for EM currencies and that, in turn, can help reduce inflation pressures.

Global Policy Rates



As of 4 November 2021
Sources: Haver Analytics, Stone Harbor Investment Partners LP
Information above contains forecasts based on implied forward rates. China, Dominican Republic, Indonesia, and Peru are excluded from forecasts.
For illustrative purposes only.

Emerging Markets Debt

External Sovereign Debt

External sovereign debt spreads tightened 3 bps and the JP Morgan EMBI Global Diversified returned -0.4%. Investment grade securities outperformed non-investment grade bonds, on average. The top performers included Zambia (+1.7%), El Salvador (+1.3%), and Papua New Guinea (+1.2%). The bottom performers included Lebanon (-17.3%), Ethiopia (-7.3%), and Argentina (-4.1%).

Local Currency Debt

The JP Morgan GBI EM Global Diversified returned -1.19%. EM currencies returned -0.9%, in aggregate. The Mexican peso underperformed with spot FX return of -3.1%, followed by the South African rand (-2.6%) and the Colombian peso (-2.1%). Outperformers included Hungary (+1.2%), Poland (+0.8%), and Czech Republic (+0.7%).

The yield of the JP Morgan GBI EM Global Diversified increased 6 bps to 5.67%. Poland bonds underperformed with yields 36 bps higher, followed by Brazil and Russia bonds, which increased in yield by 32 bps and 28 bps, respectively. Turkey outperformed with yields 26 bps lower, followed by Chile (-14 bps) and Peru (-5 bps).

In central bank actions, Malaysia left the key rate unchanged at 1.75%, as expected. Colombia, Czech Republic, and Poland surprised with significantly larger-than-expected hikes: Colombia hiked by 50 bps to 2.50%, Czech Republic hiked by 125 bps to 2.75%, and Poland hiked by 75 bps to 1.25%.

EM Corporate Debt

The JP Morgan CEMBI Broad Diversified posted a flat return this week (+0.02%). Performance of the sector was impacted by many of the same themes from the previous week. With relatively stable US Treasury rates during the week, the investment grade sector outperformed high yield bonds, on average. At the industry level, pulp & paper outperformed, while real estate lagged. Volatility continued in the Chinese homebuilder market with more defaults and no detailed plan yet from the government on how the crisis would be managed. In Brazil, President Bolsonaro continued to make conflicting statements about Petrobras concerning fuel prices and the potential privatization of the company. As a consequence, Petrobras bond prices declined, a move that weighed on the returns of other Brazilian corporates. In addition, headlines over comments made by senior Argentine officials around their IMF program sparked a sell-off in Argentine corporate debt.

Flows/Issuance

Peru issued US dollar-denominated bonds due 2034, 2051, and 2072, totaling approximately US$4 billion. In EM corporate debt, issuance from a Dominican Republic generator and multi-tranche bond issuance from Teva Pharmaceuticals were the highlights.

According to Emerging Portfolio Fund Research (EPFR), EM fixed income funds saw net inflows of approximately US$1.1 billion, predominantly into hard currency funds for the week through 2 November. 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

Over the weekend, Argentina's President Alberto Fernandez and Finance Minister Martin Guzman met with officials from the International Monetary Fund (IMF) during the Rome Summit of G20 leaders. Media reports highlighted the demand of the Argentina government for leniency on surcharges that the IMF imposes on above-quota loans, of which Argentina's US$57 billion loan is an example, and for a waiver or delay on large upcoming payments that Argentina owes to the IMF in 2022. The government has not proposed a credible plan to lower its fiscal deficit nor to address inflation that is running above 51% year-over-year. On 14 November, Argentines will vote in midterm legislative elections that may serve as a guide on whether regime change has become more likely. The latest polls indicate that Argentines favor opposition candidates over those of the ruling Frente de Todos party. With Argentina external sovereign bonds priced in the low-to-mid $30's, markets remain skeptical of the current government's willingness to comply with IMF demands. This week, Argentina external US dollar-denominated bond returns ranged from -3.2 to -5.3%

Ethiopia

Ethiopia's credit markets came under further pressure this week as Tigrayan rebels escalated the year-long conflict with the government. The US State Department dispatched a special envoy to the country to hold talks to ease the tensions. The Tigray People's Liberation Front, which has been fighting Prime Minister Abiy Ahmed's government since last year, claimed it had overtaken territory with its ally the Oromo Liberation Army. In response, the Ethiopian government declared a nationwide state of emergency on Tuesday and ordered residents of Addis Ababa to prepare to defend their neighborhoods. Ethiopia's external sovereign bonds returned -7.3% on average this week.

Chile

Chile's conservative presidential candidate Jose Antonio Kast is leading in opinion polls against his top opponent Gabriel Boric less than three weeks away from the election. According to a Pulso Ciudadano poll, Kast gained nearly 6 points in voting intention to 22.2%, while support for Boric declined roughly 4 points to 17.4%. A similar trend was revealed on a phone survey conducted by research firm Cadem. Senator Yasna Provoste of the center-left coalition Unidad Constituyente is now in third place as her popularity has dropped, and Sabastian Sichel, candidate for the pro-government alliance Chile Podemos Mas, is in fourth place, having fallen dramatically after winning the primary vote in July. The outcome of the first round election is difficult to ascertain, especially given the latest polls. If no candidate receives at least 50% of the vote on 21 November, a runoff election will be held on 19 December. As the election relates to the fourth pension fund withdrawal bill, timing of the vote remains to be key: if the ruling coalition manages to postpone the vote on the bill beyond the 21 November election, the probability of the bill being approved would likely decrease significantly. However, if the bill is put to the vote before the election, the chances of the bill securing the 26 votes that it requires to be approved appears more likely.

Lebanon

A diplomatic crisis with Saudi Arabia and other Gulf Cooperation Council countries deepened this week after Saudi Arabia removed Lebanon's ambassador, recalled its envoy from Beirut, and suspended all imports from Lebanon. Bahrain and Kuwait made similar demands and the United Arab Emirates recalled its diplomats from Beirut in solidarity with Riyadh. The Saudi foreign ministry said the moves were made in response to comments, made in August and aired last week, by Lebanese Information Minister George Kordahi, who was a journalist at the time. According to the Saudis, Kordahi insulted the Kingdom by criticizing the war in Yemen and, in doing so, highlighted the influence of the Iran-backed Shia movement Hezbollah. Kordahi refused the Saudi demand for his resignation. According to post on Twitter from the Lebanese presidency, Prime Minister Najib Mikati and President Michael Aoun met this week to solve the diplomatic row. Lebanon external sovereign bond prices generated an average total returns of -17.2% this week.

Romania

The ruling Liberal Party failed to garner enough support in parliament to form a government, leading Prime Minister-designate Nicolae Ciuca to ask the chamber's leaders to cancel a confidence vote previously scheduled for Wednesday. The move presents two options for President Klaus Iohannis: either nominate Ciuca again, giving him another 10 days to form a coalition, or nominate another candidate. Romania's opposition Social Democrats, the party that holds the most seats in parliament, has indicated that the party will nominate their candidate for prime minister. So far unsuccessful negotiations between the three parties – Liberals, Social Democrats, and USR – have led Romania's currency to record lows against the euro and have crippled planned reform efforts needed for Romania to access its portion of funds from the European Union's pandemic recovery stimulus.

South Africa

Initial poll results show that South Africa's ruling party, African National Congress (ANC), fared poorly in Monday's municipal election as voter support dropped to roughly 46.6%, the lowest share of votes since mid-1990s and compares with 54% in the last local government elections in 2016. The results, in part, reflect low voter turnout of less than 50% of registered voters, as well as growing dissatisfaction with lack of social improvements, high unemployment, and deteriorating infrastructure. At the same time, the opposition remains fragmented and Democratic Alliance's share of the vote is also expected to decline to around 24.8% from 27% five year ago, while the Economic Freedom Fighters party is projected to come in third place with approximately 9.2% of votes. Based on these latest indications, the ANC will likely need to rely on smaller parties to form coalition governments in key urban areas.

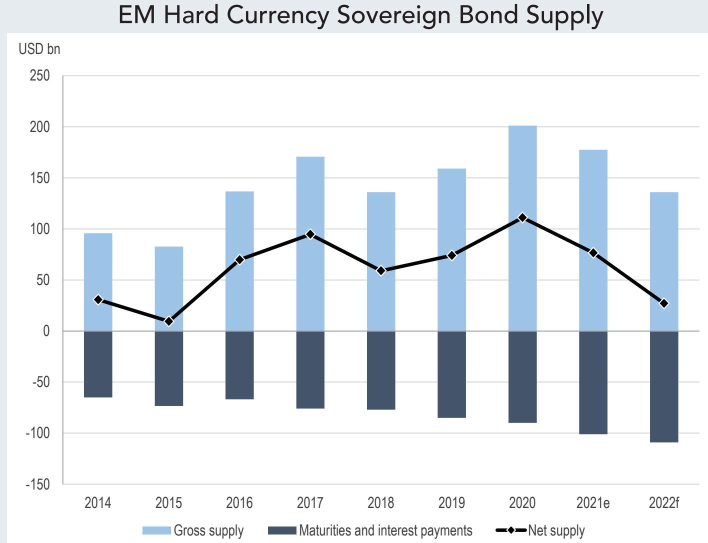
Zambia

Zambia's government under recently-elected President Hichilema released its 2022 budget. The government targets a 6.7% of GDP fiscal deficit on a cash basis, but a 15.5% deficit on a commitment basis as the government still plans increased support in education, health, welfare, and gender equality. Despite recording a 42% gain in revenue as copper prices increased in 2021, large subsidy disbursements and other election-related spending led the government to revise its 2021 fiscal balance to a cash deficit of 10.4% of GDP, above the government's target of 9.3% of GDP. Therefore, the government's planned fiscal consolidation is impressive. According to the Zambian Ministry of Finance, domestic arrears will increase by nearly 9% of GDP in 2022, but the expected primary surplus should be supportive of discussions with the IMF. Zambia's authorities target a staff level agreement with the IMF by mid-November, while also agreeing with creditors to restructure debt in early 2022. Zambian external debt returns ranged from 1.1% to 2.3% this week.

Chart of the Week

Fiscal balances have been improving in EMs this year and more improvement is expected in 2022. The main drivers are the continuing global recovery, which is boosting tax revenues while reducing some public spending needs, and the increase in commodity-related revenues for the significant number of commodity exporters among EMs. As a result, borrowing needs are declining significantly in 2022 and this is reflected in current EM sovereign bond supply projection. Gross issuance is expected to decline by about US$50 billion compared to 2021. But net issuance should drop even more, reaching the lowest annual level since 2015. We believe this is an important technical factor that will help support the market going forward and alleviate some remaining concerns about the impact of the Fed taper on EM debt markets.

EM Hard Currency Sovereign Bond Supply



As of 3 November, 2021
Sources: Bloomberg Barclays, Stone Harbor Investment Partners LP
Data above contains forecasts. For illustrative purposes only.

Global High Yield

US High Yield

The overall US high yield market lost 0.02% in a lower volume, earnings-focused week leading into the FOMC taper decision meeting. Accounts looked to reduce rate-sensitive names and to lighten exposure in higher levered low quality credits and focused their buying in more neutral B rated names. CCC risk underperformed the index, losing 0.08%, while BB and B paper each lost 0.02%. Index spreads widened 8 bps to +338 with CCC's underperforming by widening 14 bps and index yields widened 0.13% to 4.32%. Sector performance was split stemming from company earnings, ratings repositioning, and liquidity flows. Outperforming sectors with positive returns included Building Products, Automotive, Utilities, Aerospace/Defense, Leisure, and Lodging. Underperforming negative return sectors were Drillers, Wirelines, Restaurants, and Media. Continental Resources Inc. agreed to acquire assets in the Permain Basin from Pioneer Natural Resources Co. for US$3.25 billion. The new 92,000 net acres will allow Continental to generate an extra half billion dollars in annual free cash flow next year at current commodity prices. As a result, Moody's upgraded the bonds to Baa3 from Ba1.

Leveraged Loans

The loan market continued to deliver steady returns this past week ahead of the FOMC meeting and amidst a busy corporate earnings calendar. The S&P/LSTA Leveraged Loan Index returned 0.06%, the average bid price decreased 1 bpsto $98.56, and the spread-to-maturity widened 1 bp to L+401. From a ratings perspective, BB & B names posted similar returns, while CCC rated loans lagged significantly driven by credit-specific events. Notably, we continued to see weakness in the Media Other sector as regional sports network provider Diamond Sports Group LLC, which is rated CCC, reported disappointing earnings causing pressure on secondary trading levels. We saw strong performance in commodity- related sectors, while the Satellite and Restaurant sectors lagged. Notably, industry sector performance dispersion was modest this week. Lastly, we had one default in the Index. On 31 October, cloud networking provider, GTT Communications Inc. (GTT), filed a prepackaged bankruptcy to implement its previously announced restructuring. The company has been in forbearance since October 2020. Including GTT, the trailing twelve month default rate dropped to 0.20% at October month end, which is the lowest level since February 2008.

European High Yield

The overall European high yield benchmark declined 0.04% for the week as the large primary calendar offset positive corporate earnings. Index spreads tightened 3 bps for the week, with B spreads outperforming. Media underperformed during the week, giving back some of the prior week's gains as high yield investors sold Netflix bonds as they exited the high yield index after receiving the upgrade from S&P to investment grade. Additionally, Wirelines underperformed on reduced 2021 guidance from Telecom Italia. Airlines and Retail rebounded this week due to better-than-expected earnings.

Flows/Issuance

According to EPFR, the US high yield market saw a US$782 million outflow, after two weeks of positive inflows, led by a US$994 million outflow from ETFs. The primary calendar continued to be light ahead of the Fed meeting this week, with only seven deals pricing for US$5.65 billion. Primary estimates for November are US$25 billion, similar to October's total and lower from the record pace of earlier months.

In the loan market, arrangers launched a handful of deals to start November, however, October finished with US$49 billion worth of new issuance, which while down from the torrid US$71 billion in September, remains healthy. October's new issuance continued to be skewed towards M&A/LBO activity, which is in line with previous months. Demand for floating rate assets remains strong, and as the month came to a close we saw significant Collateralized Loan Obligation (CLO) issuance bringing the October's monthly volume to US$19.2 billion, which is the second strongest month of the year, and was the ninth consecutive month of double-digit issuance. Loan funds posted US$585 million inflow for the week ended 3 November.

For European high yield, EPFR data showed another week of positive flows with a US$59 million inflow, showing signs of improvement after outflows of US$427 million in October. The primary market continued to be the main focus of investors as 6.6 billion euros priced during the week. During October, 10.8 million euros of new issuance priced, increasing the year-to-date total to 111.2 million euros.

Source: Lipper, EPFR

Industry Insights

Building Products: Strong earnings and relative value have attracted investors back into the building products sector. After several months of concerns around the slowdown in new home construction trickling down through the sector, we got solid earnings reports from publicly traded building products companies like Builders First Source and Installed Building Products this week. Strong results, and their corresponding read through to their private peers, coupled with the yields offered by this sector resulted in this sector returning to favor within the high yield investor community and was supported by a realization that the longer term cyclical tails winds for the broader housing sector remain intact.

Healthcare: On the provider front, Tenet Healthcare and HCA both reported strong revenue and profitability, offering constructive outlooks for 2022, while highlighting some inflationary pressures mostly tied to labor. However, the major focus this week was the outcome of the California opioid trial. Following a one-month trial, the California state court rejected claims that drug makers created a "public nuisance" tied to the medication. While there is likely to be an appeal, investors were optimistic that California's ruling bodes well for other opioid litigation around the country. Bonds backed by several large drug companies traded higher on the back of the ruling and the potential for lower liabilities.

Technology: Technology company earnings were mixed; semiconductor companies are reporting strong sales and profit numbers, while system companies continue to disappoint on earning even as they report in line revenues and large backlogs as they can't ship enough product to satisfy demand. ON Semiconductor and NXP Semiconductor both reported strong September earning and guided December revenue up sequentially. Both companies are key suppliers to Auto manufactures; following these reports it looks as through semiconductor supply issues in autos may improve in December. Plantronics reported mixed results in September but highlighted record backlog, driven by supply shortages holding back sales despite very strong end market demand. The Plantronics earning call highlighted a public debate between the CFO, who expects supply issues to persist into the March of 2022 quarter, and the Chief Supply Chain Officer, who thinks the issues would be resolved in 4Q.

Investment Grade

Governments

This week can be characterized by a modest retracement of the prior week's move. We remain in an environment of heightened volatility as the ICE BofAML MOVE Index reached another new 6-month high of 78 before ending the period unchanged at 71. Treasury yields drifted lower towards the beginning of the week but retraced after the FOMC confirmed it will taper asset purchases. Following a period of weakness, the front end of the Treasury curve was better bid while the 10-year traded inside a 10 bps range, from 1.52% to 1.62%, before ending the period 6 bps higher at 1.61%. The curve steepened, as longer dated bonds were offered, with 2s10s rising 10 bps to 113 bps while 5s30s rose 3bps to 83 bps. Real yields and breakevens remain inversely correlated and offset the prior week's moves. The 10-year real yield, which excludes the expected impact of inflation, rose 18 bps while breakevens fell 11 bps as market participants dialled back their growth and inflation expectations.

Core European rates were little changed as the yield on 10-year Bunds ended the week 1 bp higher to -0.17% -- a reflection of the ECB's steadfast position on inflation, and subsequently, policy. In contrast, Gilts were weaker across the curve as market participants began pricing in an imminent rate hike. Comments regarding the BoE's rate decision will be provided in next week's publication.

Australia front-end remains under pressure as the yield on ACGB 2024s, the RBA's 3-year reference bond, jumped to 0.775% before ending the period at 0.65%. The RBA announced the discontinuation of its YCC (yield curve control) program. According to the RB A's Lowe, "the effectiveness of the yield target in holding down the general structure of interest rates in Australia has diminished."

Corporates

Corporate bonds felt a little soft earlier in the week as participants waited for the Fed announcement. Supply had been heavy during the past month, but positive earnings surprises have helped keep spreads in check. Rate volatility and flatter treasury curves also did not help spreads, however, the 20yr/30yr treasury rate inversion focused some attention on 20 year corporates as they looked cheap vs. 30 year paper. Corporates rallied briskly post the Fed announcement and spreads got back all that was lost earlier in the week, leaving the OAS on the Bloomberg corporate index unchanged at +85 bps. For the month of October, spreads were wider by 3 bps and provided 0 bps of excess return, while total returns were positive by 25 bps. The best performing sectors during the month were Oil Field Services, Railroads, and Transportation Services; while the worst performing sectors were Cable Satellite, Tobacco and Wireless. Bonds maturing less than 10 years had negative excess returns, while those longer than 10 years produced modestly positive excess returns. There was no discernable differences in performance between rating categories; however, BBB's outperformed A rated bonds by a very slim margin.

Securitized

The mortgage current coupon tightened 4 bps on the week as the FOMC's intentions became more clear, and mortgage spreads are at their tightest level in 6 months. Invitation Homes issued US$1 billion senior unsecured notes whose proceeds will be used to pay down 2 RMBS deals. This trend has kept single-family rentals capped due to prepayment risk. Zillow is shutting down their home flipping business after getting caught by softening home prices in places like Phoenix and Dallas. Zillow is currently marketing 7,000 homes to institutional buyers with another 8,000-9,000 more homes still in contract. They had recently securitized US$1.2 billion in non-rated RMBS.

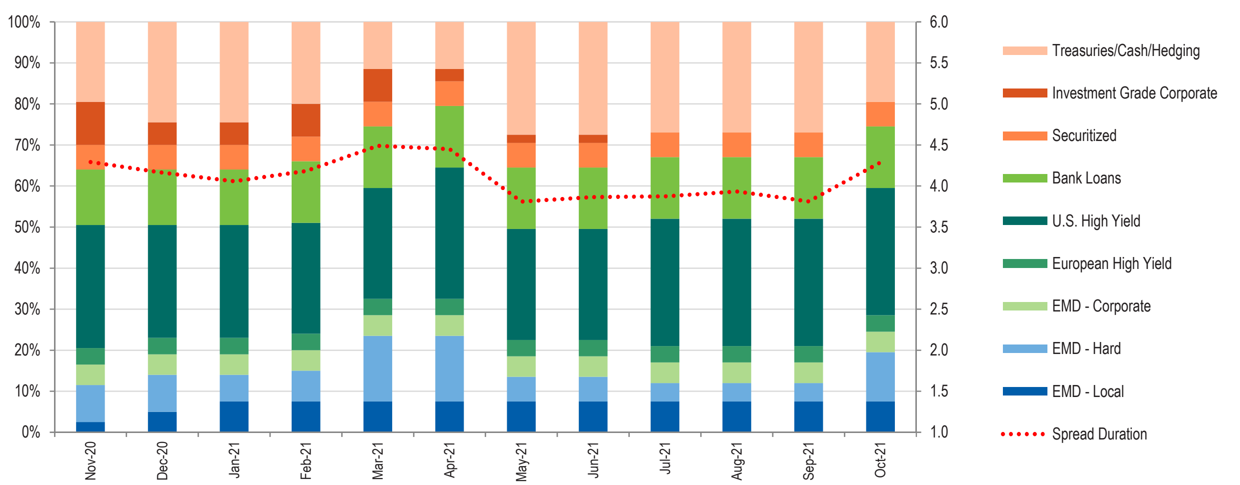
Flows/Issuance

In the investment grade primary markets, supply for the week was just under US$20 billion and in line with expectations. Most of the calendar was front loaded towards the beginning of the week with no deals coming on the day of the FOMC; however, issuance picked up again the day after. Supply for October surprised on the upside compared to expectations and was the second largest October on record at US$115.7 billion. Financials were heavily represented during the month, driven by the US$21 billion deal from AerCap and numerous bank deals, which were offered after the quiet period around earnings.

High grade fund flows declined this week but remained positive with inflows of US$1.7 billion, according to EPFR. Most of the decline was attributed to outflows in long corporates only funds primarily from ETF sales, while short duration funds continue to see solid inflows. Aggregate funds accounted for the bulk of the inflows, while corporate only funds were negative given the large outflow in the long end.

Source: EPFR, JP Morgan

Stone Harbor Multi-Asset Credit Target Allocations (%)



Stone Harbor Multi-Asset Credit Representative Target Allocation as of 31 October 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 November 3, 2021			Spread or Yield Change (bps or %)						Total Return (%)				
			Level	1W*	MTD	QTD	YTD	LTM	1W	MTD	QTD	YTD	LTM
EM	EMBI Global Diversified	EMBI G D	356	(3)	(1)	0	5	(56)	(0.4)	(0.2)	(0.2)	(1.5)	3.6
	CEMBI Broad Diversified	CEMBI B D	266	(0)	(0)	7	(4)	(87)	(0.2)	(0.1)	(0.5)	1.0	5.1
	GBI EM Global Diversified Yield	GBI EM GD	5.67	0.06	0.02	0.37	1.45	1.20	(1.1)	(0.5)	(1.8)	(8.1)	(0.5)
EM Sovereign Debt	EMBI Global Diversified	EMBI G D	356	(3)	(1)	0	5	(56)	(0.4)	(0.2)	(0.2)	(1.5)	3.6
	EMBI GD Investment Grade	EMBI IG	146	(4)	(4)	(1)	(2)	(29)	(0.1)	(0.1)	0.2	(2.7)	(0.1)
	EMBI GD High Yield	EMBI HY	602	2	2	8	(6)	(125)	(0.6)	(0.3)	(0.6)	(0.1)	8.1
EM Sovereign Debt Regions	Africa	Africa	592	8	2	30	36	(93)	(0.8)	(0.3)	(1.9)	(1.7)	8.1
	Asia	Asia	213	(10)	(2)	(13)	(19)	(49)	0.1	(0.1)	0.6	0.4	2.5
	Europe	Europe	279	(2)	(4)	1	14	(69)	0.0	0.0	(0.0)	(1.1)	4.8
	LATAM	LATAM	378	3	0	2	24	(35)	(0.9)	(0.4)	(0.1)	(4.1)	1.4
	Middle East	Middle East	324	(12)	(3)	(7)	(44)	(81)	0.1	(0.1)	0.0	0.7	4.2
EM Corporates	CEMBI Broad Diversified	CEMBI B D	266	(0)	(0)	7	(4)	(87)	(0.2)	(0.1)	(0.5)	1.0	5.1
	CEMBI BD Investment Grade	CEMBI IG	148	(3)	(3)	1	(21)	(57)	(0.0)	(0.0)	(0.3)	(0.1)	2.4
	CEMBI BD High Yield	CEMBI HY	473	6	4	18	(12)	(155)	(0.3)	(0.1)	(0.8)	2.5	9.0
US High Yield	US High Yield	US HY	338	8	1	5	(54)	(175)	(0.0)	(0.0)	(0.2)	4.5	10.0
	US High Yield BB	US HY BB	240	7	2	5	(41)	(126)	(0.0)	(0.0)	(0.2)	3.3	7.8
	US High Yield B	US HY B	388	8	(1)	4	(37)	(163)	(0.0)	0.0	(0.1)	4.0	8.8
	US High Yield CCC	US HY CCC	676	14	8	13	(126)	(429)	(0.1)	(0.0)	(0.4)	10.0	22.0
European High Yield	Barclays PanEur HY	BAR PanEur HY	314	(3)	11	16	(43)	(150)	(0.0)	0.0	(0.5)	3.1	7.5
	2% Ex Financials Yield	2% ExFin Yield	3.60	0.03	(0.04)	0.39	0.15	(1.03)	0.00	0.0	0.0	0.0	0.0
Bank Loans	LSTA Price	LSTA Price	98.6	(0.0)	0.0	(0.1)	2.4	5.3	0.1	0.0	0.3	4.7	8.4
	LSTA 100 Yield	LSTA 100 Yield	3.81	0.04	0.02	0.10	(0.17)	(0.95)	0.1	0.0	0.3	4.7	8.4
Investment Grade	US Treasury 7-10 Yield	US Tsy 7-10 Yld	1.52	0.04	0.01	0.09	0.74	0.76	(0.3)	(0.1)	(0.5)	(3.9)	(3.8)
	1M LIBOR	1M LIBOR	0.09	(0.00)	(0.00)	0.01	(0.06)	(0.05)	0.0	0.0	0.0	0.1	0.1
	US Aggregate	US AGG	32	0	(1)	(1)	(10)	(22)	(0.3)	(0.1)	(0.2)	(1.7)	(0.6)
	US Investment Grade Corporates	US IG Corp	85	0	(2)	1	(11)	(39)	(0.4)	(0.2)	0.0	(1.2)	1.8
	Global Aggregate	Global AGG	33	0	(1)	0	(3)	(13)	(0.2)	0.1	(0.2)	(1.6)	(0.7)
	Barclays 1-5 Year Credit	Barclays 1-5 Year Credit	39	0	(2)	2	(2)	(19)	(0.0)	0.1	(0.5)	(0.3)	0.5
FX	DXY (US dollar)	DXY	93.86	0.0	0.0	0.0	0.0	0.0	0.1	(0.3)	(0.4)	4.4	0.3
	GBI EM FX	GBI EM FX	0.0	0.0	0.0	0.0	0.0	0.0	(0.9)	(0.5)	(0.4)	(4.8)	0.6

1W reflects data from October 27 close through November 3 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.

The opinions expressed herein represent the current, good faith views of the author(s) at the time of publication and are provided for limited purposes, are not definitive investment advice, and should not be relied on as such. The information presented in this material has been developed internally and/or obtained from sources believed to be reliable; however, Stone Harbor Investment Partners LP ("Stone Harbor") does not guarantee the accuracy, adequacy or completeness of such information. This material includes statements that constitute "forward-looking statements". Forward-looking statements include, among other things, projections, estimates, and information about possible or future results related to market, geopolitical, regulatory or other developments. Any forward-looking statements speak only as of the date they are made, and Stone Harbor assumes no duty to and does not undertake to update forward-looking statements. Forward-looking statements are subject to numerous assumptions, risks and uncertainties, and are based on current market trends, all of which change over time. The views expressed herein are not guarantees of future performance or economic results and involve certain risks, uncertainties and assumptions that could cause actual outcomes and results to differ materially from the views expressed herein. The views contained in this material are subject to change continually and without notice of any kind and may no longer be true after the date indicated. All investments involve risk including possible loss of principal. There may be additional risks associated with international investments involving foreign economic, political, monetary and/or legal factors. These risks may be heightened in emerging markets. Past performance is not a guarantee of future results. This material is solely for informational purposes and should not be viewed as a current or past recommendation or an offer to sell or the solicitation to buy securities or to adopt any investment strategy. This material is directed exclusively at investment professionals.

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