November 11, 2021

WEEKLY COMMENTS ON CREDIT

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Global Market Summary

Long maturity US Treasury bond yields rose following an auction of US 30 year bonds that drew lower demand than previous auctions. As of the close on 10 November, the 30 year Treasury yield was trading at a yield of 1.91%, still below last Wednesday's level but up 10 basis points from a day ago. Shorter term bond yields also moved lower earlier in the week but remained above levels from a week ago. Credit spreads generally tightened and most major credit sectors generated positive spread and total returns. The US employment report showed impressive gains, suggesting that GDP growth may be picking up in the fourth quarter, following a Delta-related slowdown in the Q3. October consumer price inflation readings in the US also came in somewhat higher than anticipated, driven by some transitory factors such as used car prices, but also pointing to a pick-up in rental costs, which may be more concerning. Within emerging markets, central banks continued to hike interest rates in response to high near-term inflation readings, with the central banks of Poland, Czech Republic and Romania all moving rates higher. Asian central banks, meanwhile, largely remained on hold. Between 3 November and 9 November, emerging markets debt (EMD) outperformed US high yield debt. The US dollar index (DXY) depreciated, and EM currencies advanced, 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	352		-3	2.34%
EMBI GD IG	146		0	-0.49%
EMBI GD HY	596		-6	5.82%
Africa	576		-16	6.24%
Asia	219		5	1.65%
Europe	272		-8	3.52%
LATAM	375		-3	0.16%
Middle East	322		-1	3.10%
CEMBI BD	275		10	4.13%
CEMBI BD IG	154		5	1.98%
CEMBI BD HY	490		17	7.17%
GBIEM GD (%)	5.58		-9	-2.80%
EM Blend (%)	5.04		-9	1.21%
EMBI ESG	332		-3	1.51%
CEMBI ESG	282		9	4.06%
GBI ESG (%)	5.46		-7	-3.61%

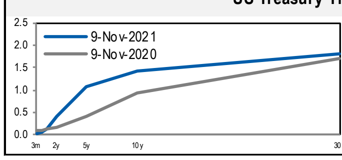
-200 -50 100 250   Nov-20 May-21 Nov-21

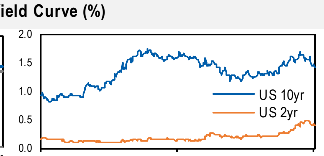
Developed Markets

Index	Current Level (bps or %)	12 mos Change Spread or Yield (bps or %)	Weekly Change (bps)	12 mos Total Return
US HY	328		-10	7.97%
US HY BB	232		-8	6.15%
US HY B	377		-11	6.79%
US HY CCC	661		-15	18.19%
Pan Euro HY	329		-4	5.93%
LSTA 100 (%)	3.82		3	7.07%
		-200 -100 0 100 200		
US Treasury 7-10 (%)	1.39		-9	-2.15%
1M LIBOR (%)	0.09		1	0.11%
US Agg	34		1	0.25%
US IG Corp	87		0	2.37%
Global Agg	34		0	0.19%

-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	-1.86%	Gold	1,831	-2.66%	S&P500	4,685	31.96%
USDJPY	112.87	-6.64%	VIX	18	-30.95%	MSCI World	9,728	30.84%
EM FX		-1.13%	Brent	85	99.95%	MSCI EM	3,072	9.30%

Nov-20 May-21 Nov-21

1W reflects data from November 3 close through November 9 close. Source: Bloomberg. For illustrative purposes only. See disclosures at end of material for additional information.

Global Backdrop

United States

The Biden administration announced plans to reduce bottlenecks at US ports by coordinating a transition to round-the-clock operations at certain Californian ports, and increasing funds for temporary container storage yards. President Biden also spoke with the CEOs of several large US retailers and logistics companies to discuss options to ease supply chain bottlenecks, expedite deliveries, and reduce prices.

Nuclear talks between the US and Iran are expected to resume on 29 November. After former President Trump's withdrawal from their previous agreement, Iran is said to be seeking a binding provision aimed at avoiding a repeat by preventing any incoming US president from terminating their agreement.

In a political win for the Biden Administration, the House passed the US$550 billion infrastructure plan in a 228-206 vote. Focus is now over to the more substantial US$1.75 trillion spending package, which remains in disagreement amongst Democrats.

Europe

The Bank of England decided to keep interest rates unchanged at 0.10%, in a 7-2 vote, and maintained its corporate and gilt bond purchase targets. The central bank's decision was met with criticism as Governor Andrew Bailey hinted at a potential rate hike leading up to the decision. When questioned about his hawkish comments, Governor Bailey said it was not his job to "steer markets day-by-day and week-by-week."

Germany and several other European countries, such as Norway and Denmark, are experiencing another wave of infections. With only two-thirds of the German population fully vaccinated, the 7-day average case count now exceeds 30,000. Chancellor Angela Merkel said that hospitals in certain hotspots are beginning to experience capacity constraints.

Japan/Asia

For the first time in nearly 1.5 years, Japanese services PMI rose into expansion in October after the state of emergency restrictions were lifted. The stronger services reading, coupled with an expanding manufacturing impulse, helped buoyed Japan's composite PMI from 47.9 in September to 50.7.

Economist Corner

Seamus Smyth, PhD, Developed Markets

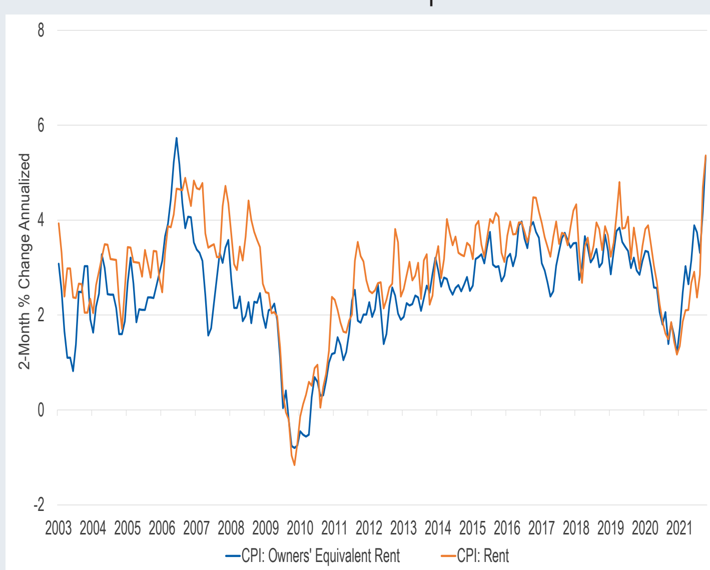
Steffen Reichold, PhD, Emerging Markets

After some lower readings through July, August and September, core CPI inflation was again very high in October, at +0.60% m/m, boosted by both new and used cars, as well as hotels and motels. We continue to think those are likely to revert lower, and we turn our focus on the rent and owners equivalent components. For the second month in a row, both of those increased at an annual pace of over 5%, holding onto the move higher in the September reading. As the accompanying graph shows, the 2-month annualized pace for these is now clearly higher than over the 2015-19 period.

That is important for the future path of inflation for two reasons. First, the housing components are a huge chunk of the overall basket of goods and services that goes into inflation. For total CPI, they comprise a bit over 30% of the basket, and for core inflation about 40%. The weighting is a bit smaller for PCE, but still a very substantial chunk. Second, these components tend to be more persistent, with less month-to- month variation.

And it does appear that track record of persistence will continue this cycle, as the fundamentals should continue to support rent and OER (owners' equivalent rent). Last week, the quarterly housing vacancy put the rental vacancy rate at just 5.8%, low relative to its history and very different from, say, 2011 when it was around about 9%. The homeowner's vacancy rate tends to sit lower, but is also low compared to its history at 0.9%. Also pointing at a tight market and future increase in these CPI components is the National Multi Housing Council's survey of market conditions, which also points at a tight market. Finally, the Q3 Employment Cost Index increased rapidly, suggesting an ability to pay. In the aftermath of the late 2000s housing bubble, residential investment remained low as a share of GDP, and the results of that 1.5 decades of relative underinvestment could be starting to show up.

Move Higher in Rent and Owners' Equivalent Rent Likely to Be More Persistent Source of Upward CPI Pressure



As of 31 October 2021
Sources: Bureau of Labor Statistics, Haver Analytics, Stone Harbor Investment Partners LP

Emerging Markets Debt

External Sovereign Debt

External sovereign debt spreads tightened 3 bps and the JP Morgan EMBI Global Diversified returned 1.2%. Investment grade securities and non-investment grade bonds generated 1.2%, on average. The top performers included Lebanon (+3.0%), Tunisia (+2.9%), and Ghana (+2.8%). The bottom performers included Ethiopia (-6.2%), Sri Lanka (-3.6%), and Suriname (-1.6%).

Local Currency Debt

The JP Morgan GBI EM Global Diversified returned 1.68%. EM currencies returned 1.1%, in aggregate. The Chilean peso outperformed with spot FX return of 3.1%, followed by the Mexican peso (2.8%) and the South African rand (2.7%). Underperformers included Colombia (-1.1%), Turkey (-0.6%), and Hungary (-0.3%).

The yield of the JP Morgan GBI EM Global Diversified declined 9 bps to 5.58%. Uruguay underperformed with yields 27 bps higher, followed by Poland and Serbia, which increased in yield by 15 bps and 13 bps, respectively. South Africa outperformed with yields 38 bps lower, followed by Turkey (-33 bps) and Mexico (-27 bps).

In central bank actions, Serbia and Thailand left the key rates unchanged at 1.00% and 0.50%, as expected. Romania hiked 25 bps to 1.75%, compared to market expectation of a 50 bps hike (see further details under Sovereign Soundbites on page 4).

EM Corporate Debt

The JP Morgan CEMBI Broad Diversified posted a small gain as investment grade credits, supported by lower US Treasury yields, outperformed high yield bonds, on average. The returns on bonds of Chinese homebuilders continued to decline in the absence of specific plans from the government on how it will manage the crisis in investor confidence, though rumors of a plan to ease the delivery of mortgage financing from banks, provided support on Tuesday. Argentine corporates remained weak ahead of the country's midterm elections on 14 November 2021. In Brazil, corporate bonds rebounded after selling off last week on concerns the government would violate or change the fiscal responsibility law. For the fourth quarter thus far, the market turmoil in China has driven a large underperformance in the Asian region, relative to both Latin America and Central and Eastern Europe, Middle East and Africa.

Flows/Issuance

According to Emerging Portfolio Fund Research (EPFR), EM fixed income funds saw net inflows of approximately US$6 million; positive inflows into both hard currency and local currency funds were almost entirely offset by outflows from blend 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

Brazil

Following last week's initial approval of a bill that aims to amend the constitution and ease the fiscal rule in order to finance President Jair Bolsonaro's new social program, Brazil's Lower House of Congress voted in favor of the constitutional amendment in a second round vote this week. Constitutional amendments require two votes in the Lower House before moving to the Senate, where it also requires 3/5 or 49 votes to be enacted. The base text of the measure was approved last week in the first round vote with 312 votes, only four more than the required 308 votes; this week's vote passed by a wider margin than expected, with 323 for and 172 against. The second round vote was crucial to Bolsonaro's government as this constitutional amendment would allow expanding the social program ("Auxilio Brasil") and deferring the payment of court-ordered obligations ("Precatórios") -- both of which would not be permissible under the current fiscal spending cap. The constitutional amendment would make available BRL 92 billion in the 2022 budget under the spending cap; BRL 45 billion would come from the deferment of precatorios payments and BRL 47 billion from the recalculation of the spending cap limits since 2017. The changes allowed under the new bill could translate to an additional fiscal cost of 1.4% of GDP as written now. However, some members of Congress are arguing in support of a larger average monthly payment and broader coverage from Auxilio Brasil, which, if enacted, could lead to an increased fiscal cost of 2.4% of GDP. As a result of the change in the spending cap, debt dynamics have deteriorated, in our view.

China

China's export growth beat expectations again in October, continuing the trend from the previous two months. Exports grew 27.1% y/y to US$300.2 billion, compared to +22.8% consensus and +28.1% in September. Imports increased 20.6%, leading to a record trade surplus of US$84.5 billion, compared to the surplus of US$66.8 billion in September. Notably, exports to the US eased (-0.9% m/m seasonally adjusted in October), while exports to the EU rose (+12.1 m/m seasonally adjusted). Although the strong trade performance is providing some support for the slowing Chinese economy, the embattled property sector, power shortages, and Covid-19 outbreaks will likely continue to exert downward pressure on China's growth, in our view.

The 19th Central Committee of the Communist Party of China (CPC) started its sixth plenary session on Monday to pass a rare "historical resolution" of the 100-year-old ruling party and lay the grounds for an unprecedented third term for President Xi Jinping. President Xi delivered a work report on behalf of the Political Bureau of the CPC Central Committee highlighting the major achievements of the CPC's historical experience.

Colombia

The level of Colombia's consumer confidence improved in October relative to September. As key cities continued lifting restrictions, consumer optimism around current conditions improved, showing a significant boost in the willingness to buy durable goods despite currency weakness.

The Colombian economy is registering a strong recovery, which implies a rapidly closing output gap and a declining unemployment rate, eventually triggering faster withdrawal of monetary stimulus and stronger GDP momentum. The central bank and the market consensus have been gradually converging to a 9.0% GDP growth forecast for this year. At the same time, Colombia has been relatively spared from the global supply shock than peers: for example, durables inflation, which tends to be more closely linked to global inflation dynamics, is still running below 5% y/y in Colombia (versus almost 7% in Mexico or double-digit rates in Brazil). Also, services inflation, which is more driven by domestic demand dynamics than external factors and corresponds to nearly half of Colombia's CPI, is still tracking below 2% y/y. Colombia's Consumer Price Index (CPI) changed by 0.01% in October.

Ethiopia

Ethiopia's credit markets continued to come under pressure this week as the year-long conflict between the Tigray People's Liberation Front (TPLF) with the government escalated. The latest bout of tension comes as 16 United Nations staff members, who are of Ethiopian nationality, were detained by Ethiopia's authorities. According to local sources, many Ethiopians of Tigray ethnic descent have been seized since the government declared a state of emergency last week. Ethiopia's external sovereign bonds returned -6.2% on average this week.

Kenya

The IMF concluded the second review of the 38-month Extended Fund Facility/Extended Credit Facility finance program and reached a staff-level agreement, which upon formal completion by the IMF Executive Board will allow Kenya access to approximately US$264 million in financing. In our view, while the IMF support is a positive, the likelihood of fiscal slippage ahead of the upcoming election and deteriorating inflation outlook weight against further improvement in the credit. Kenya's external sovereign bond spreads tightened this week.

Lebanon

Arab League Deputy Chief Hossam Zaki held talks with top officials in Lebanon, including President Michel Aoun and Prime Minister Najib Mikati, among others, to de-escalate and resolve the diplomatic crisis between Lebanon and Saudi Arabia that emerged following comments by Lebanon's information minister George Kordahi on Yemen's civil war. President Aoun stated that Lebanon is ready to take steps to improve relations with the gulf nations, particularly Saudi Arabia, based on mutual respect of sovereignty – a message that was echoed by Prime Minister Najib Mikati. Kodahi has so far refused to step down despite the appeal for him to resign.

Separately, Prime Minister Najib Mikati said on Monday that initial discussions with the IMF aimed at securing financial support were advancing and a revised financial recovery plan would be completed by the end of November.

Romania

Romania's central bank followed other Central European countries (with the exception of Serbia) in raising the benchmark rate to combat above target inflation. However, in contrast to the aggressive tightening of 75 bps seen in Poland recently, the central bank of Romania was somewhat more dovish and gradual in its approach, raising the key rate by 25 bps to 1.75%. The smaller-than-expected increase was based on the central bank's revised forecasts that showed "a more pronounced slowing" of economic growth this year, which were seen as offsetting supply side shocks and higher energy prices that are currently putting upwards pressure on inflation. October consumer price inflation rose to 7.94% – well above both expectations and the Central Bank's target range – suggesting there will be further upwards pressure on official rates at upcoming meetings. The next monetary policy meeting is scheduled for January 10, 2022.

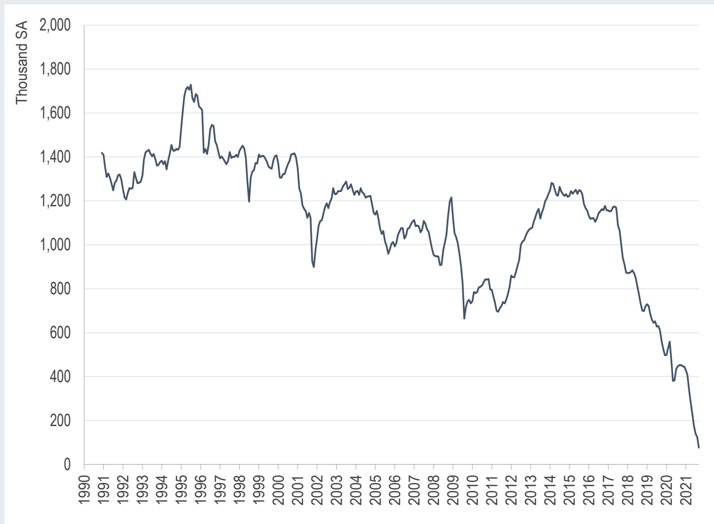
Tunisia

Technical discussions with the IMF have resumed following official request by Prime Minister Najla Bouden, according to the central bank. It also indicated that IMF delegation met central bank governor Marouane Abassi to discuss economic reforms that could garner international support. Tunisa's external sovereign bond spreads tightened this week.

Chart of the Week

Supply chain bottlenecks and disruptions have triggered shortages in various goods. One example is cars. Car demand surged during the rebound from the pandemic shock resulting in record car sales by April 2021. However, since then supply has not been able to keep up with demand and inventory levels have been steadily declining. As of September, inventories of domestically produced cars reported by car manufacturers have reached extremely low levels. While the shortage is limiting economic activity now and also contributes to price pressures, we believe it will likely support GDP growth in the future as bottlenecks ease over time and manufacturers will likely aim to replenish unusually low inventories. Moreover, the highly visible auto sector is unlikely to be the exception. Rather, we believe that similar dynamics are occurring in other manufacturing sectors with strong retail demand. This suggests that a strong inventory cycle could add strength to the manufacturing recovery next year and beyond.

US Auto Inventories



As of 30 September, 2021
Sources: Bloomberg, Bureau of Economic Analysis, Stone Harbor Investment Partners LP

Global High Yield

US High Yield

The US high yield market returned 0.75%, supported by a stronger macro backdrop and record-setting equity markets. Positive markets technicals drove buying across the ratings spectrum led by a 0.81% BB total return as a result of tightening rates. The index tightened 21 bps to 4.11% and spreads tightened 10 bps to +328. Several sectors outperformed with more than 1.0% returns, including E&P, Retail Food/Drug, Airlines, Leisure, Food/Beverage, Automotive, and Building Products. Viasat Inc. has agreed to purchase Inmarsat Group Holdings Ltd in a transaction valued at US$7.3 billion creating the world's biggest geostationary satellite company. Tenet Healthcare Corp. will acquire SurgCenter Development's ownership in 92 ambulatory surgery centers and other ambulatory support services for about US$1.2 billion. Tenet will issue US$1.45 billion new secured bonds to fund the transaction.

Leveraged Loans

The loan market posted steady returns this past week following the much anticipated FOMC meeting and a steady corporate earnings calendar. For the week, the S&P/LSTA Leveraged Loan Index returned 0.14%, the average bid price increased 10 basis points to US$98.65, and the spread-to-maturity tightened 2 bps to L+399. From a ratings perspective, lower quality discounted paper meaningfully outperformed the Index, while BB and B rated issuers were more inline. From an industry perspective, all returns were positive with the exception of Media Other sector, which continues to be driven by the underperformance of Diamond Sports Group LLC, which posted disappointing earnings, and continues to trade at distressed levels in the secondary market. Conversely, we saw strength in sectors tied to the re-opening theme including Airlines and Theaters, which were driven by favorable vaccine news and the lifting of travel restrictions. Lastly, there were no defaults in the index last week.

European High Yield

The overall European high yield benchmark rallied 0.50% for the week as the BoE and the ECB pushed back on investor concerns of near-term rate hikes, driving rates lower and spurring a rush to cover shorts. For many investors, the primary calendar continued to be the main focus for spending cash. Index spreads tightened 4 bps for the week, with CCC spreads outperforming by tightening 14 bps on the week. Energy bonds in E&P and Midstream outperformed due to another surge higher in oil prices. Retail Food & Drug also outperformed on better-than-expected earnings and 2022 guidance. Chemicals and packaging companies underperformed as investors remain cautious on cyclicals ahead of earnings.

Flows/Issuance

The US high yield market saw an inflow of US$2.1 billion primarily from two big inflows into ETF products following the dovish Fed meeting and stronger jobs number last week, according to EPFR. This stronger macro backdrop also spurred companies to issue debt with the lower move in rates. Fourteen deals priced for US$9.81billion, led by a US$2.5 billion Ford Motor Co. which was its inaugural green bond deal, the largest ever by a US company and with more than US$10 billion in demand. Notably, year- to-date, HY issuance edged out the prior year record, climbing to US$432.43 billion on the year for 2021.

In the primary loan market, activity remained healthy with 27 issuers launching deals for approximately US$18 billion. The majority of activity continues to be tied to M&A/LBO activity. Demand for floating rate assets remains strong. Collateralized Loan Obligation (CLO) formation doesn't show any signs of abating, and month-to-date there have been eleven deals price for US$5.4 billion. Additionally, we continue to see steady inflows into loan mutual funds and Exchange Traded Funds (ETFs) from retail investors.

For European high yield, EPFR data showed another week of positive flows with a US$254 million inflow, turning November flows positive with an inflow of US$224 million. The primary market slowed from the busy prior weeks to price 2.5 billion euros.

Source: Lipper, EPFR

Industry Insights

Airlines: Airlines outperformed due to strong earnings and an improving outlook for the industry. After posting solid earnings reports that reflected a continued rebound in air travel and a positive outlook for 2022, sentiment soared even higher on news that Pfizer's Covid-19 pill significantly reduced the risk of hospitalization or death. Also contributing to the optimism for a recovery has been the easing of certain global travel restrictions. On 8 November, the US lifted the travel ban for vaccinated passengers.

Exploration and Production: As 3Q21 earnings wind down, E&P companies reiterated themes that emerged at the start of the year – disciplined capex spend and debt reduction with an eye to returning cash to shareholders in '22. M&A has also picked up in the sector, most recently with Southwestern buying GEP gas assets in the Haynesville, its second acquisition in three months, and Continental buying Pioneer's Permian assets for US$3.25 billion cash. M&A in the E&P space is up +100% Y/Y at a US$65 billion deal value. With its acquisition, Continental moves back up to investment grade. We expect more upgrades as Moody's has moved its medium-term oil price deck up US$5 and back to its pre-pandemic level of US$50-70/barrel. Fellow fallen angel OXY reported very strong 3Q21 results, which included US$4.4 billion of absolute debt reduction, ending the quarter with a very healthy 2.6x leverage, down from 5.7x at the start of the year. Its path to investment grade is more constrained due to its expensive US$10 billion Berkshire Preferred.

Services: ADT Inc. reported an in-line September quarter this week and raised revenue and EBITDA guidance for fiscal year 2021; however, ADT left full year free cash flow guidance unchanged from last quarter, as management is spending slightly higher levels of capex to drive growth. ADT also announced they are buying solar installer Sunpro. ADT has said the acquisition will be Revenue and EBITDA accretive to ADT's 12/22 business plan. Important for credit investors, ADT is paying for Sunpro with over US$700 million of newly issued ADT stock and just US$160 million cash and assuming less than US$20 million of debt. So even if Sunpro is not as successful as ADT plans, the transaction is leverage friendly. ADT is paying less than 2.5x EBIDTA in cash. ADT says the deal multiple on Sunpro is approximately 10x EBITDA.

Investment Grade

Governments

It was another eventful week for government bonds as we remain in an environment of heightened volatility. Treasury volatility, as measured by the ICE BofAML MOVE Index, ended the period 2 pts higher at 73. Rates markets had effectively priced in a 15 bps interest rate hike by the BoE, however, government bonds quickly repriced and unwound several weeks' worth of weakness after the BoE decided, in a 7-2 vote, to leave its policy rate unchanged. Over the course of the week, the yield on 2-year and 10-year Gilts fell 25 bps to 0.45% and 0.82%, respectively. The bid for duration carried over to other countries as 10-year German Bunds and French OATs also fell 13 bps to -0.30% and 0.04%, respectively. Similarly, US Treasuries saw demand across the curve this week and the benchmark 10-year yield closed 17 bps lower at 1.44%. The Treasury curve flattened, as longer dated bonds saw better demand, with 2s10s falling 12 bps to 101 bps, while 5s30s fell 9 bps to 74 bps. Real yields and breakevens remain inversely correlated and, once again, offset the prior week's moves. The 10-year real yield, which excludes the expected impact of inflation, fell 25 bps, while breakevens rose 8 bps as market participants recalibrate their growth and inflation expectations.

Corporates

Investment grade corporates saw better buying towards the end of last week, particularly after the FOMC and good payroll numbers; however, markets softened given the volatile movement in Treasury rates and persistent new issue supply coming into the markets. The Bloomberg Corporate index was wider by 2 bps leaving the OAS at +87 bps. 3Q2021 earnings have surprised to the upside with over 81% of companies in the S&P 500 reporting a positive earnings surprise vs. 14% with a negative surprise and 4% reporting inline. GE surprised the markets by announcing it would make a transformational move splitting itself into 3 companies, Healthcare, Power/Renewables, and Aviation, while also tendering for up to US$23 billion of debt. Verizon announced the results of its 15-bond waterfall cash tender and increased the total consideration to US$4.8 billion from US$4 billion, and Ford announced a tender for up to US$5 billion of its bonds. Together, some of these tenders will more than likely leave cash in the hands of investors, which could lead to a shortage of bonds to buy during the holiday, when supply is light and liquidity is low.

Securitized

Mortgage spreads widened 4 bps this week, lagging the market rally. In response to lower rates, the FHLMC average mortgage rate dropped below 3% to 2.98% from 3.09% the prior week, and the MBA refinancing index rose 7.4%. Non-qualified mortgage (non-QM) loans and non-performing loans (NPLs) continue to widen with non-QM seniors currently at 105 bps compared to a tight of 65 bps over the summer. Similarly, NPLs are currently at a 2.5% yield and had gotten as tight as 1 7/8% yield over the summer. Zillow, in winding down their buy-to-flip portfolio, announced the sale of 2,000 homes to Pretium Partners, which owns about 7,000 homes and securitizes under the Progress Residential shelf.

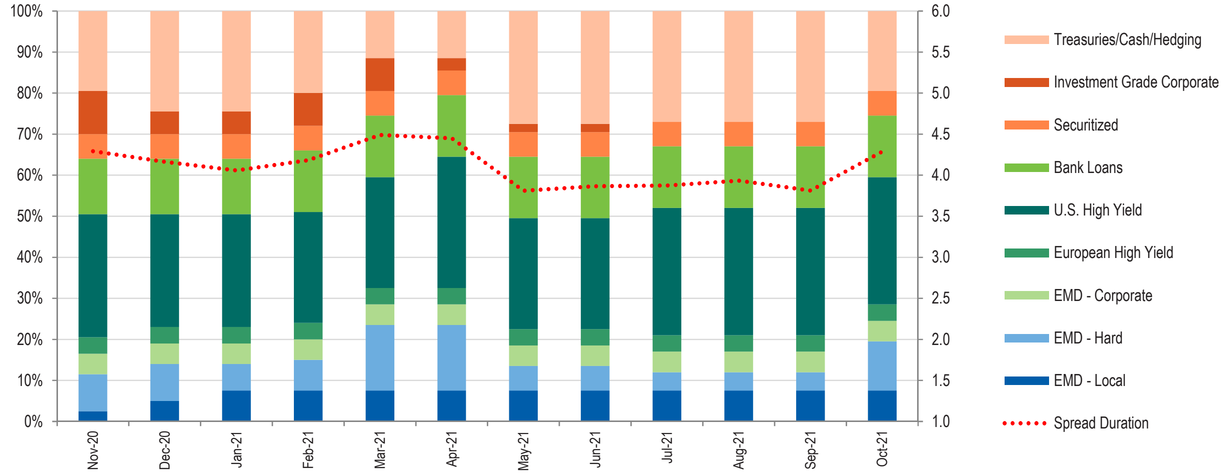
Flows/Issuance

The investment grade primary market remains busy as companies are lured by the attractive funding conditions and in a rush to get their deals completed before the holidays. This week will finish with roughly 25 deals for approximately US$25 billion in new supply, which is slightly more than last week but in line with expectations.

High grade fund flows saw outflows of US$280 million for the latest period according to EPFR, driven by outflows in short term aggregate accounts and both short and long term corporate only funds. Intermediate aggregate and corporate only funds continued to see inflows as did total return funds. Lipper reported a US$429 million inflow into investment grade funds, following last week's US$1.1 billion outflow.

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 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	EMBI G D	352	(3)	(5)	(3)	2	(22)	1.2	0.9	1.0	(0.4)	2.3
	CEMBI Broad Diversified	CEMBI B D	275	10	9	17	6	(48)	0.1	0.1	(0.4)	1.1	4.1
	GBI EM Global Diversified Yield	GBI EM GD	5.58	(0)	(0.07)	0.28	1.36	1.26	1.7	1.2	(0.2)	(6.5)	(2.8)
EM Sovereign Debt	EMBI Global Diversified	EMBI G D	352	(3)	(5)	(3)	2	(22)	1.2	0.9	1.0	(0.4)	2.3
	EMBI GD Investment Grade	EMBI IG	146	(0)	(5)	(1)	(3)	(5)	1.2	1.1	1.4	(1.6)	(0.5)
	EMBI GD High Yield	EMBI HY	596	(6)	(4)	2	(12)	(71)	1.2	0.8	0.5	1.1	5.8
EM Sovereign Debt Regions	Africa	Africa	576	(16)	(15)	14	20	(47)	1.9	1.6	(0.0)	0.2	6.2
	Asia	Asia	219	5	3	(8)	(13)	(18)	0.4	0.3	1.0	0.8	1.7
	Europe	Europe	272	(8)	(12)	(6)	7	(32)	1.2	1.2	1.2	0.0	3.5
	LATAM	LATAM	375	(3)	(3)	(2)	21	(1)	1.4	1.0	1.3	(2.7)	0.2
	Middle East	Middle East	322	(1)	(4)	(9)	(45)	(47)	1.0	0.9	1.0	1.7	3.1
EM Corporates	CEMBI Broad Diversified	CEMBI B D	275	10	9	17	6	(48)	0.1	0.1	(0.4)	1.1	4.1
	CEMBI BD Investment Grade	CEMBI IG	154	5	2	6	(15)	(32)	0.4	0.4	0.1	0.3	2.0
	CEMBI BD High Yield	CEMBI HY	490	17	21	35	5	(100)	(0.1)	(0.3)	(0.9)	2.4	7.2
US High Yield	US High Yield	US HY	328	(10)	(9)	(5)	(64)	(98)	0.7	0.7	0.6	5.3	8.0
	US High Yield BB	US HY BB	232	(8)	(6)	(3)	(49)	(62)	0.8	0.8	0.6	4.2	6.2
	US High Yield B	US HY B	377	(11)	(12)	(7)	(48)	(77)	0.6	0.6	0.5	4.6	6.8
	US High Yield CCC	US HY CCC	661	(15)	(7)	(2)	(141)	(308)	0.7	0.7	0.3	10.8	18.2
European High Yield	Barclays PanEur HY	BAR PanEur HY	329	(4)	6	12	(47)	(87)	0.5	0.5	(0.1)	3.6	5.9
	2% Ex Financials Yield	2% ExFin Yield	3.50	1.73	(0.15)	0.29	0.05	(0.70)	0.00	0.0	0.0	0.0	0.0
Bank Loans	LSTA Price	LSTA Price	98.7	0.1	0.1	0.0	2.5	4.1	0.1	0.2	0.4	4.9	7.1
	LSTA 100 Yield	LSTA 100 Yield	3.82	0.03	0.03	0.11	(0.16)	(0.45)	0.1	0.2	0.4	4.9	7.1
Investment Grade	US Treasury 7-10 Yield	US Tsy 7-10 Yld	1.39	(0.09)	(0.12)	(0.04)	0.61	0.56	1.1	1.1	0.6	(2.8)	(2.2)
	1M LIBOR	1M LIBOR	0.09	0.00	0.00	0.01	(0.05)	(0.04)	0.0	0.0	0.0	0.1	0.1
	US Aggregate	US AGG	34	0	1	1	(8)	(16)	0.9	0.7	0.7	(0.9)	0.3
	US Investment Grade Corporates	US IG Corp	87	0	0	3	(9)	(23)	1.3	1.1	1.3	0.0	2.4
	Global Aggregate	Global AGG	34	0	0	2	(2)	(7)	0.8	0.9	0.7	(0.8)	0.2
	Barclays 1-5 Year Credit	Barclays 1-5 Year Credit	39	0	(2)	2	(2)	(13)	0.2	0.3	(0.2)	(0.1)	0.6
FX	DXY (US dollar)	DXY	93.96	0.0	0.0	0.0	0.0	0.0	0.1	(0.2)	(0.3)	4.5	1.3
	GBI EM FX	GBI EM FX	0.0	0.0	0.0	0.0	0.0	0.0	1.1	0.6	0.7	(3.8)	(1.3)

1W reflects data from November 3 close through November 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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