February 5, 2021

WEEKLY COMMENTS ON CREDIT

Global Market Summary

Positive news flow regarding vaccination momentum and US fiscal stimulus expectations supported risk sentiment this week, despite an earlier show of market volatility in the equities market. Major US equity indices resumed their ascent as the S&P 500 and Nasdaq 100 indices ended the period over 2% higher from a week earlier.

Spreads tightened across all major credit market indices, and total returns were generally positive. US high yield outperformed other credit sectors, while US investment grade lagged. The US dollar advanced vs the Euro, and emerging markets (EM) currencies appreciated, on average.

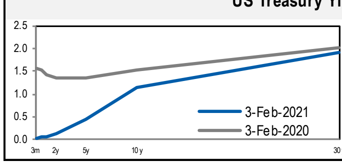
Emerging Markets

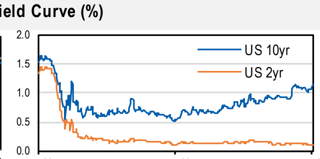
Index	Current Level (bps or %)	Spread or Yield Change Last Twelve Months (bps)	Weekly Change (bps)	Last Twelve Months Returns
EMBI GD	345		-15	2.70%
EMBI GD IG	145		-6	4.97%
EMBI GD HY	597		-31	-0.24%
Africa	527		-36	7.11%
Asia	216		-9	1.88%
Europe	260		-13	6.29%
LATAM	359		-16	-0.64%
Middle East	360		-12	2.87%
CEMBI BD	262		-7	5.65%
CEMBI BD IG	159		-6	5.62%
CEMBI BD HY	476		-17	5.60%
GBIEM GD (%)	4.26		-6	2.83%
EM Blend (%)	4.42		-3	3.77%
EMBI ESG	326		-13	2.78%
CEMBI ESG	264		-6	5.59%
GBI ESG (%)	3.99		-5	4.12%
		-150 0 150		Feb-20 Aug-20 Feb-21

Developed Markets

Index	Current Level (bps or %)	Spread or Yield Change Last Twelve Months (bps)	Weekly Change (bps)	Last Twelve Months Returns
US HY	342		-20	7.81%
US HY BB	249		-23	10.28%
US HY B	374		-16	5.38%
US HY CCC	582		-23	4.44%
Pan Euro HY	330		-22	3.56%
LSTA 100 (%)	3.78		6	3.88%
		-200 -100 0 100 200		
US Treasury 7-10 (%)	0.98		11	5.01%
1M LIBOR (%)	0.11		-1	0.51%
US Agg	35		-2	4.41%
US IG Corp	95		-3	5.50%
Global Agg	34		-1	2.92%
		-200 -100 0 100 200		Feb-20 Aug-20 Feb-21

US Treasury Yield Curve (%)





Other Asset Classes
(Last Twelve Months Returns)

Currency Return vs USD			Commodities			Equities		
EURUSD	1.20	8.82%	Gold	1,835	13.78%	S&P500	3,830	17.89%
USDJPY	105.03	3.47%	VIX	23	27.49%	MSCI World	8,156	18.31%
EM FX		-4.40%	Brent	58	7.36%	MSCI EM	3,296	34.70%
Feb-20 Aug-20 Feb-21			Feb-20 Aug-20 Feb-21			Feb-20 Aug-20 Feb-21		

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

Global Backdrop

United States

Following a disappointing start, vaccinations in the US reached an inflection point as more Americans have now received at least one dose of a COVID-19 vaccine than have tested positive for the virus. Johnson & Johnson reported its single dose vaccine was 66% effective at preventing moderate to severe disease 28 days after vaccination.

Fiscal stimulus optimism was boosted by headlines of productive talks between President Biden and GOP Senators. As a concession, President Biden offered to limit stimulus check eligibility in an attempt to win congressional approval for the US$1.9 trillion COVID-19 relief package.

Europe

The dispersion in cases and restrictions across the Euro-area persists. Although most countries continue to see their case counts increase, Spain is most notable as its weekly rate of new infections remains elevated relative to other countries in the bloc. Germany had extended its restrictions while France seeks to avoid another national lockdown. The quarrel between the European Union (EU) and AstraZeneca escalated this week with the European Commission imposing an export ban on vaccines made in the bloc. The World Health Organization, among others, criticized the EU's decision to restrict the flow of vaccines as protectionism.

After Giuseppe Conte's unsuccessful attempt at rebuilding a coalition, the Italian head of state tapped former European Central Bank (ECB) President Mario Draghi to lead a new technocratic government. While this is a step towards political stability, there remain some hurdles as any newly formed government would require parliamentary support in both Houses.

Japan/Asia

The Reserve Bank of Australia (RBA) kept rates unchanged at 0.10% but in a more dovish move, announced an extension of its bond purchase program as inflation and employment remain far from their respective targets. The central bank pledged to buy an additional AUS100 billion of government bonds when the current Quantitative Easing (QE) program ends in mid-April.

Infections in Japan continue to spread, albeit at a slower pace, but deaths continue to rise. Vaccinations were originally expected to be administered mid-February; however, the current EU export controls and ongoing production delays are causing uncertainty around the timing of deliveries to Japan. Elsewhere, the Singapore Health Sciences Authority approved its second vaccine and authorized the use of Moderna's vaccine, which is expected to begin in March.

Economist Corner

Seamus Smyth, PhD, Developed Markets

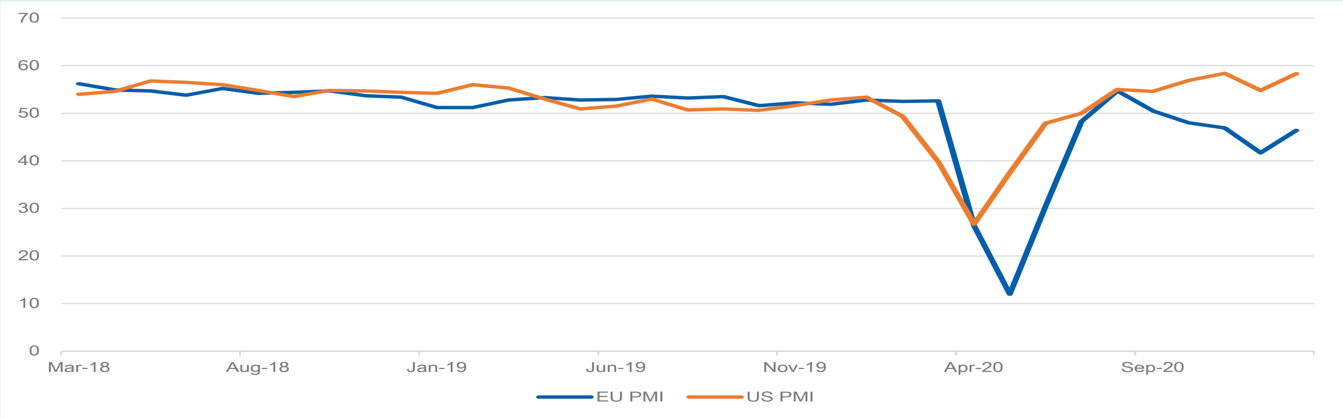
Steffen Reichold, PhD, Emerging Markets

Data released this week show the short-term direction of the US and Eurozone economies diverging.

The Eurozone Markit Services PMI was quite subdued; it decreased from December into January and remains notably below 50, the dividing line between expansion and contraction. This restrained reading matches other data, such as retail sales that show European activity remaining slower into the year. Unfortunately, this is coupled with what looks to be a slower rollout of vaccinations in Europe, which will likely keep activity, especially services activity, subdued in the near future. We expect that slower activity level to change over time and remain optimistic about European activity over the course of 2021.

The US has seen recent data move in the other direction, generally firming over the course of January. The equivalent Markit PMI for the US increased from December into January and points at activity increasing at a moderate rate. Other data in the US has also pointed at a pickup in the pace of recovery into 2021. Jobless claims data, which had risen modestly over late 2020 and early 2021, dropped somewhat, though remains elevated. Similarly, ADP's measure of private sector payrolls returned to growth in January after dipping in December with an increase of 174 thousand. That pace of increase, as we detailed last week, is insufficient to close essentially any of the large amount of outstanding labor market slack.

Services Markit Purchasing Managers Index (PMIs): US & Eurozone



As of January 2021.
Source: Bloomberg

Emerging Markets Debt

External Sovereign Debt

External sovereign debt spreads widened 15 basis points and the JPM EMBI Global Diversified returned 0.2%. Non-investment grade credits outperformed investment-grade credits. The top performers at the index level included Lebanon (6.73%), Ecuador (4.57%), and El Salvador (3.29%). The bottom performers included Ethiopia (-5.26%), Cameroon (-4.20%), and Tajikistan (-2.01%). In Ethiopia and Cameroon, bond prices reacted to debt relief discussions for external debt under the G-20's Common Debt Framework. In terms of regional performance, Africa outperformed, while Asia lagged with negative total returns.

Local Currency Debt

Local currency debt outperformed external sovereign debt, and the JPM GBI EM Global Diversified returned 0.76%. FX spot contributed 0.47% to total returns, with the remainder from carry and gains from duration. Benchmark yield fell 6 basis points to 4.26%. In spot FX moves, Colombia, South Africa and Turkey led the market with gains of 2.9%, 1.5%, and 3.1%, respectively. Argentina and Uruguay lagged, both down approximately 0.8%. Brazil and South Africa led local bond markets with yields declining by -25 basis points and -23 basis points, respectively. Domestic bond yields from central Europe edged higher, while yield movements in Asia were mixed: China (+2bps), India (+14 bps), Indonesia (-14 bps), Malaysia (+9 bps), Philippines (-15 bps), Thailand (+3 bps). In central bank actions, key rates remained unchanged in Colombia (1.75%), Czech Republic (0.25%), Egypt (8.25%), Ghana (14.50%), India (4.0%), Poland (0.10%), and Thailand (0.50%).

EM Corporate Debt

A rebound in investor sentiment for global risk assets during the week boosted the CEMBI Broad Diversified, specifically the high yield portion of the index. Overall, high yield outperformed high grade materially, returning a positive 0.41%. As a result, we saw outperformance in Latin America; and Central and Eastern Europe, Middle and Africa (CEEMEA) while Asia had a negative return. Latin American returns were again driven primarily by Argentina as YPF once again amended its exchange offer by sweetening the terms of the exchange for the looming 2021 maturity. In Europe, Turkey was an outperformer as the lira continued to strengthen.

Flows/Issuance

Issuance of quasi sovereign debt dominated the sovereign primary market, which in aggregate priced US$3.5 billion in new bonds. Mexico's Comision Federal de Electricidad issued US$2 billion consisting of new 10-year and 30-year maturity securities. Indonesia's Pertamina Persero PT (oil and gas) issued US$1 billion of a five-year maturity and US$500 million of a new 10-year note.

In EM corporates, the issuance market was quite active, particularly in Latin America. Two issues priced, with several still on the roadshow calendar.

According to Emerging Portfolio Fund Research (EPFR), EM fixed income funds saw net inflows of approximately US$4.1 billion for the week through 2 February, driven primarily by flows 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

Argentina officials continue negotiating with the IMF over a new program, though it appears likely, based on our discussions with the IMF, that new terms may be modest from a policy standpoint. As part of the deal, Finance Minister Martin Guzman plans to lower the budget deficit this year to approximately 6% of GDP, from 8.5% in 2020. Our base case is that Argentina will reach a deal with the IMF, possibly by May. The local press has reported this week that Mr. Guzman is planning a trip to Washington DC in the coming weeks, and it will be important to monitor US/Argentina relations in the context of current negotiations.

Brazil

Election results of the lower and upper houses have placed two candidates backed by President Jair Bolsonaro in top positions of Brazil's Congress. The victories of Speaker of the Lower House Arthur Lira and President of the Senate Rodrigo Pacheco are widely viewed as supportive of Bolsonaro's fiscal reforms. Mr. Lira, now in a position that controls the legislative agenda, has pledged his support for the current administration's plans for fiscal consolidation. Separately, Brazil's December industrial production increased +8.2% vs a year ago. This better-than-consensus result was a product of strength across multiple sectors, including capital goods production (+2.4%), intermediate goods production (+1.6%), and consumer goods production (+0.4%). Brazil sovereign debt spreads tightened 21 basis points, on average.

China

High frequency data from China released this week indicated that economic activity continued to recover in January, albeit at a slower pace than in prior months. Purchasing manager surveys (PMIs) above 50 confirm economic growth. China reported official and Caixin composite PMIs, comprising both service and manufacturing industries, of 52.8 and 52.2, respectively. These figures compare to data released in December of 55.1 and 56.3, respectively. Similar results were reported for the manufacturing and non-manufacturing economic segments.

Ecuador

The leading candidates for Ecuador's upcoming presidential election on 7 February are Andres Arauz (center-left), Guillermo Lasso Mendoza (center-right), and Yaku Perez Guartambel (indigenous party). Latest polls still suggest a close race; however, Arauz maintains a slight lead, with Perez running consistently in third place. In an election scenario where Arauz and Lasso remain the top two candidates, with neither winning a majority, a runoff election will be held on 11 April, in which Perez could potentially influence the final outcome. While Arauz and Perez have stated that, if elected, they would renegotiate the existing 27-month Extended Fund Facility (EFF) arrangement, which was approved in September 2020 and extends to December 2022, financing sources remain limited outside of the IMF support. In our view, this constraint also limits the future administration's freedom to break from the IMF program, which includes central bank reform, increased transparency in public funds spending, and enhanced tax revenue collection. Ecuador's external sovereign debt spreads tightened this week.

Ethiopia

Ethiopia announced that it would seek debt relief for external debt under the G-20's Common Debt Framework. The framework targets cash flow relief for all external debt under comparable terms for both official and commercial debt. Under this framework, countries requesting debt treatment on a voluntary basis would participate in debt negotiations under a coordinated effort involving official bilateral creditors, and the debt treatment would be based on an IMF-World Bank Debt Sustainability Analysis (DSA). Countries will initially negotiate with official creditors, and once an agreement is reached with these creditors (under a legally non-binding Memorandum of Understanding), countries will be required to seek comparable treatment with other creditors (including private creditors). Ethiopia bond prices fell approximately 7% on the news but, as of this writing, are priced close to what a terming out of maturity payments by 5 years would imply, in our view. In addition, we expect future discussions with bondholders may be challenging as the IMF assessed Ethiopia's debt as sustainable as recently as May 2020.

India

Finance minister Nirmala Sitharaman delivered a growth-focused budget plan for the next five years. Highlights of the budget included the government's commitment to reviving both short- and medium-term growth by maintaining higher spending. In our view, the quality of expenditure is likely to improve as most of the increase is driven by higher capital and health expenditures. In addition, the new budget discontinues off-budget spending on food subsidies, improving transparency. Sitharaman noted that India will borrow a gross 12 trillion rupees (US$164 billion) by issuing bonds in the fiscal year beginning April 2021. Local bond yields rose on the announcement. The Reserve Bank of India, which meets Friday this week, will likely discuss measures to support the domestic bond markets in face of increased supply.

Russia

The poisoning and imprisonment of Alexei Navalny in Russia has raised questions about the US response. The main and most likely near-term policy action, in our view, may take the form of targeted sanctions against select individuals who are directly responsible for particular actions, or closely-linked to the decision-making process in Russia. A bill sponsored this week by Chris Coons, the Democratic senator from Delaware underscores this point. Coons' bill, which supports the "Holding Russia Accountable for Malign Activities Act of 2021" would sanction individuals rather than the sovereign or key state-owned enterprises. In prior sanctions, this approach had limited market impact, if any. Nevertheless, we will be watching to see if the Navalny poisoning spurs any major escalation of economic pressure from the US on Russia, including market-disruptive restrictions. Russian sovereign credit spreads narrowed this week.

Sri Lanka

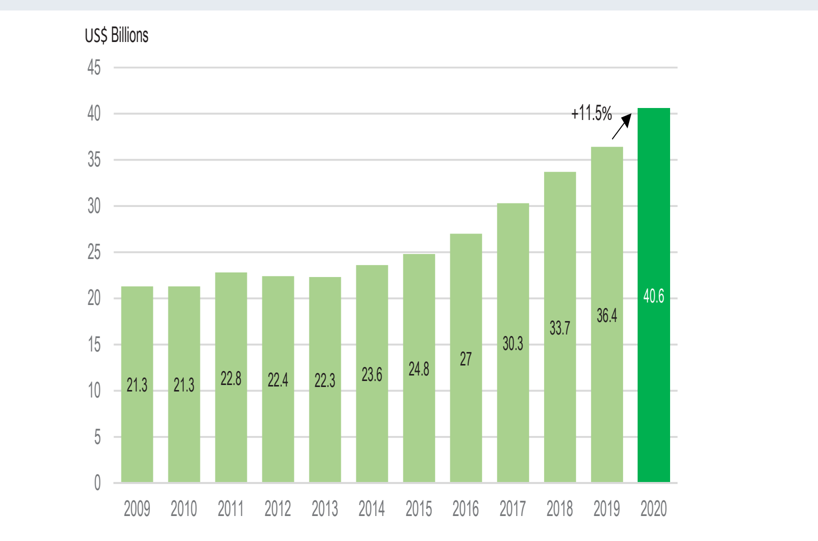
Sri Lanka's government implemented further unorthodox policies this week by requiring commercial banks to sell 10% of inward remittances that are converted each day to the central bank. It is not clear how much of the remittances are deposited in FX accounts and not immediately converted into rupees. For context, Sri Lanka received US$7.1 billion of official remittances in 2020, up from US$6.7 billion in 2019. This measure joins another recent move to close the local FX forward market for three months as evidence of unusual policy-making in recent months. Sri Lankan external sovereign debt spreads narrowed, while the rupee depreciated.

Turkey

At the 28 January quarterly inflation report conference, the central bank of Turkey (CBRT) kept the 2021 year-end inflation forecast unchanged at 9.4%. According to the inflation forecast path chart released, the CBRT projects inflation at around 16% at the end of 1Q, 14% in 2Q, 12% in 3Q and 9.4% at year-end. The central bank Governor Naci Agbal used the conference as an opportunity to emphasize the need for tight policies in a sustained manner and confirmed monetary policy will stay tight until the 5% target is reached in 2023. In our view, the simplification of the monetary policy framework and Governor Agbal's clear policy guidance have led to a sharp improvement in CBRT credibility. This change, we believe, is reflected in the latest lira strength.

Chart of the Week

Mexico Household Remittances



Source: Banorte, Banxico

This week, Mexico reported remittances for December 2020 of US$3.661 billion. As a result, remittance inflows reached US$40.6 billion for the full year 2020, up 11.5% from 2019, and a new historical high. In December, remittances grew at a double-digit pace for the fourth consecutive month (+17.4% year-over-year). Mexicans living abroad maintained their efforts to return money to their families despite higher restrictions that affected the US labor market. This data is notable, in our view, given the deterioration in employment conditions in the US with several states implementing strict lockdowns due to the rise of COVID-19 cases. We also believe it lends further support to the view that capital inflows into Mexico --and other emerging market markets which provide migrant labor to the US-- have room to accelerate, particularly if US growth and labor conditions improve in 2021, as we expect.

Global High Yield

US High Yield

High yield technicals continue to improve; the underlying tone is firm with secondary supply difficult to source, as investors look to add risk. The market feels better than recent price action suggests with organic cash returning to investor hands via coupon, call, and tenders (+US$12.7 billion). Long duration issues outperformed as investors seek yield, despite wider rates, light secondary supply, and an upcoming blackout period, which will likely slowing primary issuance. Energy credits continued to outperform as OPEC+ announced intentions to quickly clear pandemic-related surplus, pushing West Texas Intermediate (WTI) levels to 1-year highs above US$56. Bonds were well bid with lower dollar and higher quality names seeing demand and driving select names 3-5 points higher. Fertitta Entertainment Inc., parent of Golden Nugget/Landry's, agreed to go public via a merger with special purpose acquisition company FAST Acquisition Corp. in a transaction valuing the combined group at US$6.6 billion. Horizon Therapeutics announced a planned acquisition of Viela Bio Inc. for US$3.05 billion, with financing via US$1.3 billion of external debt along with cash on hand. Gray Television acquired family-owned Quincy Media for US$925 million in cash, adding stations in 102 markets to reach over 25% of US households.

Leveraged Loans

Leveraged loans strength moderated over the last several trading sessions and returns were negative this week. The weaker tone was due to several factors including loan underperformance relative to other fixed income asset classes, volatile equity markets, and investor fatigue. Leveraged loans finished January with a 1.19% total monthly return, led by the lower-quality CCC and discounted issuers. Given January's supply/demand imbalance, the index's average bid-price finished up over a point for the month, and was back to pre-pandemic levels while driving a significant percentage of the index over par. Ultimately, this price appreciation led to a wave of issuer-friendly deals including over 50 repricings and several refinancings. PetSmart Inc.'s private-equity sponsor, BC Partners, relaunched a refinancing of their entire capital structure; this was previously introduced in late 2020, but later pulled due to market conditions.

European High Yield

The European high yield market saw spreads tighten with a return of the strong compression trend. This came despite a softer start to the period as COVID lockdown fears persisted and the European high yield market saw a fairly substantial amount of primary activity. Once this new issuance was digested, and was well received, the market returned to the fairly quiet, grinding pattern that has been the case for some time. Accelerated vaccine rollouts and generally positive commentary also supported sentiment, especially in some COVID-exposed names. Top performing sectors included restaurants (a UK pub company on COVID vaccine hopes), transportation services (Atlantia on government resolution hopes) and refining. Underperformers included construction machinery (a distressed restructuring story), environmental, and paper. In aggregate, the Barclays Pan-European HY Index saw option-adjusted-spreads tighten 22 basis points to 330 basis points.

Flows/Issuance

US high yield flows reversed this week adding US$905 million, with US$13.7 billion of primary issuance priced. New issues are multiple times oversubscribed and trading well on the break. Companies are utilizing this momentum as we saw an uptick in CCC credits (40% of new primary offerings) come to market. Petsmart LLC revived a previously dropped bond deal to price US$1.2 billion first lien and US$1.15 billion senior unsecured notes to refinance all their existing notes with new bonds trading up 3 to 6 points. Chesapeake Energy Corp. priced US$1 billion senior unsecured notes as part of its plan to exit bankruptcy, and traded up 3-5 points.

As leveraged loans investors digested the refinancing and new issue wave, inflows continued from retail loan mutual funds and Exchange Traded Funds (ETFs) as well as Collateralized Loan Obligation (CLO) formation, both supporting secondary trading levels. We expect incremental net new issuance to help offset repricing risks.

European high yield technicals have remained a little soft this week. Fund flows are still fairly subdued but skewed to outflows driven principally by ETF and retail. At the same time, the primary market is functioning well. After over EUR 3 billion of new issuance priced in the previous week (in some cases upsized and in most cases IPT tightened) activity slowed this week, though the large ASDA deal could enter the market in the coming days.

Source: Lipper, JP Morgan

Industry Insights

Containers: With reopening from COVID lockdowns and the summer travel season, the second half of 2020 saw elevated in-home consumption, driving metal beverage, food can, and plastic packaging for at-home demand. Simultaneously, a modest on-premises rebound occurred, lifting glass and foodservice volumes. Until the winter's virus resurgence again reduced on-premises consumption. Industrial packaging demand has largely remained resilient with underlying industrial activity. Geographically, the COVID effects have largely been a tailwind for the US packaging market, which is more oriented to at-home consumption. On the other hand, the virus has been a headwind in emerging markets and Europe, where pantries are generally smaller, and packaged food and beverage demand is weighted to on-premises social and tourist consumption. We expect sustained at-home and industrial demand strength in 2021, while on-premises demand should recover steadily through the second half of 2021, as vaccines roll out continues.

Financials: Credit data remains strong in most areas of consumer lending. Continued strong used car prices, which we expect to extend into 2021, are also bolstering auto lenders, further supporting auto lender credits. The new Biden Cabinet has put forward leaders that will increase regulation for banks and other financial services companies. The current nominees for Chair of the Securities and Exchange Commission (SEC) and the Consumer Financial Protection Bureau (CFPB) have both historically pushed for tougher regulations on financial services companies. However, Treasury Secretary Yellen is a well-respected choice who is expected to take a balanced view towards regulation. We retain our positive view of the Property and Casualty insurance market in both high yield and leveraged loans. Insurance coverage prices are expected to rise year-over-year as insurance pay outs have increased over recent years. Insurance pricing in 2021 should increase year-over-year, supporting private insurance brokerage companies' organic revenue growth, thus helping to support the credits despite high leverage.

Housing: The housing industry has rebounded strongly in the second half of 2020 and into 2021, benefiting from accelerating activity in new home markets from pent-up demand, low mortgage rates, and secular shifts to the suburbs. Housing also enjoyed strong repair and remodel demand from surging existing home sales and do-it-yourself (DIY) activity, due to significant portions of the population working from and/or socially distancing at home. With sustained low interest rates expected to continue in the near term, plus the recent CARES 2 stimulus bill, the COVID vaccine rollout, and potential further fiscal stimulus, strength in housing appears sustainable through 2021 and into 2022.

Investment Grade

Governments

After last's week retracement, core government bond yields resumed their move higher as risk sentiment improved. The yield on 10-year US Treasuries ended the period 12 basis points higher to 1.14%. The reflation narrative was also back in play as 10-year US Breakevens, a proxy of inflation expectations, rose 12 basis points to 2.17% while the US Treasury curve steepened with 5s30s widening 10 basis points to a multi-year high of 146 basis points.

Similar to the move in Treasuries, 10-year Bunds and Gilts also saw a continuation higher ending the period 8 basis points and 10 basis points higher to -0.46% and 0.37%, respectively. The spread on 10-year Italian Treasury Bonds (BTPs) tightened another 15 basis points to 1.05% following Mario Draghi's appointment to lead a new technocratic government.

Corporates

Investment grade corporates performed better on the week after finishing the month wider by 1 basis point. Excess returns were up only 3 basis points for the month of January, while total returns were -1.29%. The best performing sectors during the month were other industrials, airlines, and retail REITS, while the underperformers included integrated energy, transportation services, and wireless. Bonds rated BBB outperformed, as did bonds in the 10-25 year maturity bucket.

Favorable earnings and modestly higher treasury rates coaxed investors off the sidelines this week after a bout of volatility last week. Spreads on the Bloomberg Barclays Corporate Index tightened to +95 basis points. Thematically, corporates continue to see inflows with investors favoring names with yield, although a recently published investor survey from JP Morgan showed investors were less bullish on the credit markets given current valuations.

Securitized

While Commercial Mortgage-Backed Securities (CMBS) spreads were largely unchanged this week, Asset-Backed Securities (ABS) spreads widened a touch on strong volume in the new issuance market. CMBX.6.BBB- outperformed this week on the liquidation of a retail property and short-covering on the volatility of retail stocks.

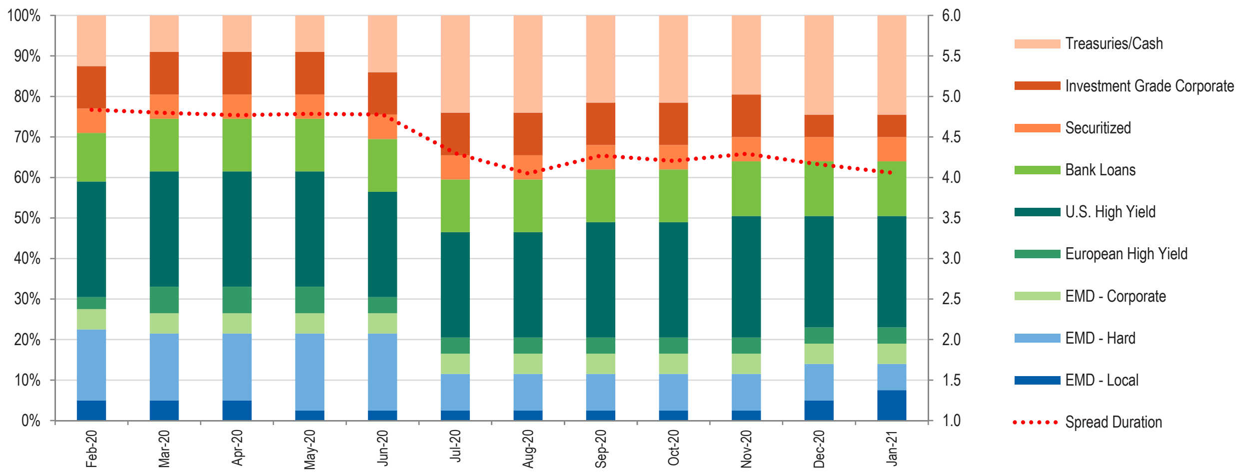
Flows/Issuance

Investment grade corporate debt supply for the month of January finished at US$133.6 billion and was heavily weighted towards financials. This week's supply is approaching US$50 billion with a slew of larger deals from Apple, Altria, Boeing, and Alibaba coming to market.

Fund flows into high grade bond funds saw inflows of US$5.342 billion according to EPFR. Similar to last week, aggregate funds and corporate only funds had positive inflows, while internationally domiciled flows continued to be negative.

Source: EPFR

Stone Harbor Multi-Asset Credit Target Allocations (%)



Stone Harbor Multi-Asset Credit Representative Target Allocation as of 31 January 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 February 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	345	**(15)**	(6)	(5)	(5)	33	**0.2**	0.2	(0.9)	(0.9)	2.7
	CEMBI Broad Diversified	262	**(7)**	(7)	(8)	(8)	(9)	**0.1**	0.2	0.1	0.1	5.7
	GBI EM Global Diversified Yield	4.26	**(0.06)**	(0.01)	0.04	0.04	(0.73)	**0.8**	0.2	(0.8)	(0.8)	2.8
EM Sovereign Debt	EMBI Global Diversified	345	**(15)**	(6)	(5)	(5)	33	**0.2**	0.2	(0.9)	(0.9)	2.7
	EMBI GD Investment Grade	145	**(6)**	(2)	(4)	(4)	(11)	**(0.4)**	(0.2)	(1.4)	(1.4)	5.0
	EMBI GD High Yield	597	**(31)**	(12)	(11)	(11)	75	**1.0**	0.6	(0.3)	(0.3)	(0.2)
EM Sovereign Debt Regions	Africa	527	**(36)**	(9)	(28)	(28)	37	**0.8**	0.4	0.1	0.1	7.1
	Asia	216	**(9)**	(4)	(16)	(16)	40	**(0.2)**	0.1	0.0	0.0	1.9
	Europe	260	**(13)**	(5)	(6)	(6)	36	**0.3**	0.2	(0.4)	(0.4)	6.3
	LATAM	359	**(16)**	(5)	5	5	25	**0.2**	0.1	(2.5)	(2.5)	(0.6)
	Middle East	360	**(12)**	(6)	(8)	(8)	41	**0.2**	0.2	(0.3)	(0.3)	2.9
EM Corporates	CEMBI Broad Diversified	262	**(7)**	(7)	(8)	(8)	(9)	**0.1**	0.2	0.1	0.1	5.7
	CEMBI BD Investment Grade	159	**(6)**	(3)	(10)	(10)	(8)	**(0.1)**	0.0	(0.1)	(0.1)	5.6
	CEMBI BD High Yield	476	**(17)**	(13)	(9)	(9)	(6)	**0.4**	0.4	0.5	0.5	5.6
US High Yield	US High Yield	342	**(20)**	(20)	(18)	(18)	(41)	**0.4**	0.4	0.8	0.8	7.8
	US High Yield BB	249	**(23)**	(16)	(15)	(15)	25	**0.5**	0.5	0.5	0.5	10.3
	US High Yield B	374	**(16)**	(17)	(5)	(5)	(1)	**0.3**	0.3	0.5	0.5	5.4
	US High Yield CCC	582	**(23)**	(39)	(76)	(76)	(280)	**0.4**	0.5	2.0	2.0	4.4
European High Yield	Barclays PanEur HY	330	**(22)**	(21)	(26)	(26)	(16)	**0.5**	0.5	1.0	1.0	3.6
	2% Ex Financials Yield	3.31	**(0.12)**	(0.13)	(0.14)	(0.14)	(0.29)	**-**	-	-	-	-
Bank Loans	LSTA Price	97.4	**(0.1)**	0.0	1.2	1.2	0.6	**(0.0)**	0.1	1.3	1.3	3.9
	LSTA 100 Yield	3.78	**0.06**	0.00	(0.20)	(0.20)	(1.90)	**-**	-	-	-	-
Investment Grade	US Treasury 7-10 Yield	0.98	**0.11**	0.05	0.20	0.20	(0.50)	**(0.8)**	(0.4)	(1.5)	(1.5)	5.0
	1M LIBOR	0.11	**(0.01)**	(0.01)	(0.03)	(0.03)	(1.55)	**0.0**	0.0	0.0	0.0	0.5
	US Aggregate	35	**(2)**	(1)	(7)	(7)	(9)	**(0.5)**	(0.3)	(1.0)	(1.0)	4.4
	US Investment Grade Corporates	95	**(3)**	(2)	(1)	(1)	(7)	**(0.7)**	(0.4)	(1.7)	(1.7)	5.5
	Global Aggregate	34	**(2)**	(1)	(3)	(3)	(7)	**(0.4)**	(0.2)	(0.7)	(0.7)	2.9
	Barclays 1-5 Year Credit	42	**(2)**	(1)	1	1	(6)	**0.0**	0.0	(0.0)	(0.0)	4.3
FX	DXY (US dollar)	91.47						**0.6**	0.6	1.4	1.4	(6.8)
	GBI EM FX							**0.5**	0.1	(0.9)	(0.9)	(3.8)

1W reflects data from January 27 close through February 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.

Stone Harbor
INVESTMENT PARTNERS

CONTACT

Main Office - New York

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

Chicago Office

10 S. Riverside Plaza
Suite 875
Chicago, IL
+ 1 312 492 4251

London Office

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

Singapore Office

3 Killiney Road
Winsland House 1
Singapore 239579
+ 65 6671 9711

ClientService@shiplp.com www.shiplp.com