March 19, 2021

WEEKLY COMMENTS ON CREDIT

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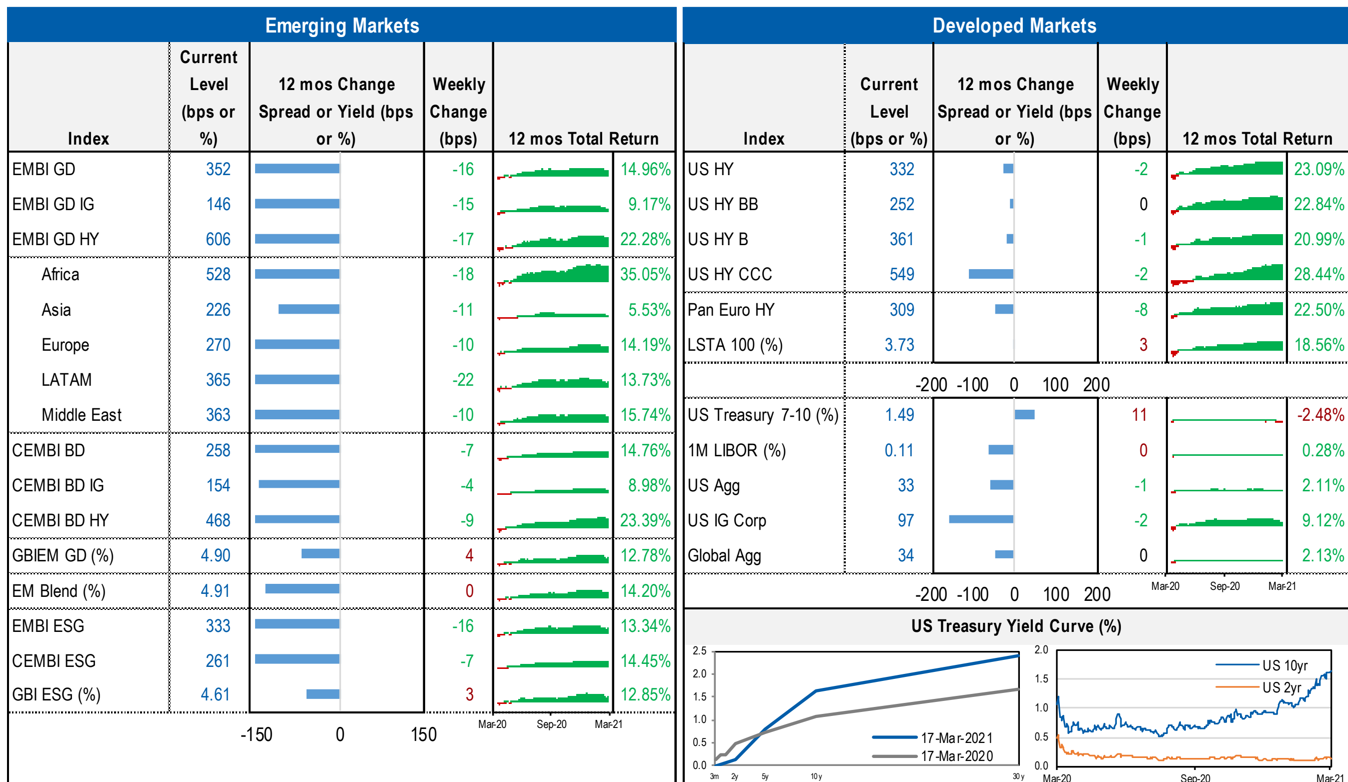
Global Market Summary

The US Federal Open Market Committee (FOMC) delivered policy direction that, while within broad expectations, clearly leaned in the dovish direction. The key message is there is no intention for interest rate hikes before the end of 2023, despite a meaningful adjustment higher in growth expectations. At the same time, the Federal Reserve (Fed) appears willing to tolerate the move higher in longer-term yields as it has not been disorderly and broader financial conditions remain accommodative. In the Eurozone, the European Central Bank (ECB) held rates steady and announced an increase in the pace of bond purchases. The Cboe Volatility Index (VIX) reached just below 20, a low level seen only on a few occasions over the past 12 months; and the S&P reached an all-time high. Credit spreads generally tightened and total returns of major credit market indices were broadly positive. The US high yield market underperformed, led lower by high quality, long duration bonds. The US dollar declined vs the Euro, and emerging markets (EM) currencies appreciated, on average.

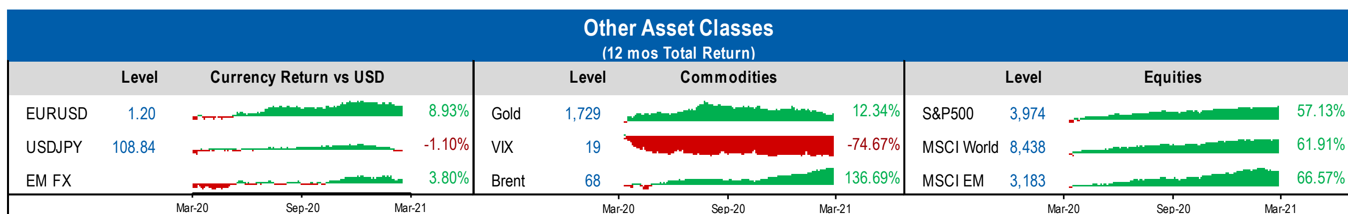


Emerging Markets

Index	Current Level (bps or %)	12 mos Change Spread or Yield (bps or %)	Weekly Change (bps)	12 mos Total Return
EMBI GD	352		-16	14.96%
EMBI GD IG	146		-15	9.17%
EMBI GD HY	606		-17	22.28%
Africa	528		-18	35.05%
Asia	226		-11	5.53%
Europe	270		-10	14.19%
LATAM	365		-22	13.73%
Middle East	363		-10	15.74%
CEMBI BD	258		-7	14.76%
CEMBI BD IG	154		-4	8.98%
CEMBI BD HY	468		-9	23.39%
GBIEM GD (%)	4.90		4	12.78%
EM Blend (%)	4.91		0	14.20%
EMBI ESG	333		-16	13.34%
CEMBI ESG	261		-7	14.45%
GBI ESG (%)	4.61		3	12.85%

Developed Markets

Index	Current Level (bps or %)	12 mos Change Spread or Yield (bps or %)	Weekly Change (bps)	12 mos Total Return
US HY	332		-2	23.09%
US HY BB	252		0	22.84%
US HY B	361		-1	20.99%
US HY CCC	549		-2	28.44%
Pan Euro HY	309		-8	22.50%
LSTA 100 (%)	3.73		3	18.56%
US Treasury 7-10 (%)	1.49		11	-2.48%
1M LIBOR (%)	0.11		0	0.28%
US Agg	33		-1	2.11%
US IG Corp	97		-2	9.12%
Global Agg	34		0	2.13%



Other Asset Classes (12 mos Total Return)

	Level	Currency Return vs USD		Level	Commodities		Level	Equities
EURUSD	1.20	8.93%	Gold	1,729	12.34%	S&P500	3,974	57.13%
USDJPY	108.84	-1.10%	VIX	19	-74.67%	MSCI World	8,438	61.91%
EM FX		3.80%	Brent	68	136.69%	MSCI EM	3,183	66.57%

As of: March 17, 2021. Source: Bloomberg. For illustrative purposes only. See disclosures at end of material for additional information.

Global Backdrop

United States

Following last week's passing by the House of the US$1.9 trillion Covid-19 relief package, focus this week turned to Wednesday's FOMC meeting. With growth prospects more certain following the passing of the relief package, markets have shown concern that the FOMC may indicate an earlier lift off in rates than previously anticipated. This could be seen not only in the rise in 10-year yields, but also in the pace of tightening priced into the market with Eurodollar futures, indicating a three-month rate of near 1.25% by month-end. Despite some governors indicating a slightly more hawkish bias, the Fed's new dot plot (which the Fed uses to signal its outlook for the path of interest rates) still places rates as unchanged by end 2023, suggesting a disconnect between market expectations and those of the Fed. Longer-term Treasury yields remain elevated with rising breakeven inflation expectations reflecting concern that the current fiscal impetus to growth will combine with the Fed's continuing accommodation to raise inflation. It is interesting to note that while the Fed did raise its inflation forecasts in the coming few years, 2023 inflation is still only forecast to be 2.1%.

Europe

Covid-19 headlines continued to dominate the newswires. Rising cases in Italy have led to additional lockdowns. In France, it is expected that Paris will face a lockdown in the near future. The vaccination program stumbled as most EU and European Economic Area (EEA) countries halted the rollout of the AstraZeneca vaccine amid reports of blood clots in people who have received the vaccine. The UK and Belgium did not follow suit and the European Medical Agency said that it has found no causal link between the vaccine and the incidents.

Data in Europe, although limited and focused on January, manufacturing production has generally been positive. The ECB held rates steady and announced an increase in the pace of bond purchases. ECB President Christine Lagarde walked a tight line in the post-decision press conference, suggesting that while risks were more balanced the need for continuing monetary accommodation remained.

Japan/Asia

Industrial production data and core machine orders suggested that, like elsewhere, the manufacturing side of the Japanese economy is weathering the current environment relatively well.

Covid-19 cases in Japan have stabilized. Prime Minister Yoshihide Suga said that the Tokyo state of emergency would be lifted based on data on the case load and hospitalization rates.

Economist Corner

Seamus Smyth, PhD, Developed Markets

Steffen Reichold, PhD, Emerging Markets

The Powell Fed isn't planning to take away the punchbowl as the party gets started, but is instead spiking it.

The Summary of Economic Projections (SEP) at this week's Fed meeting underscored how the shift in the Fed's framework leads to significantly different policy outcomes. The median projection for policy rates at the end of 2023 remained at the lower bound even though, due to vaccinations and larger-than-expected fiscal stimulus, the median projection for GDP growth increased by over 2 percentage points. With that higher growth, their projected unemployment rate at the time of the first hike will be just 3½%.

In contrast, the first rate increase last cycle came when the unemployment rate was around 5% and the cycle before, in 2004, unemployment was around 5½% at the first hike. So this is clearly a Fed that is intent on providing support longer than in the past. At the same time, it's important not to overstate the differences. In late 2015, the Fed's SEP put their estimate of the longer-run unemployment rate at 4.9%, so they were about at their estimate of the longer-run value. There was not a SEP back in 2004 but the Congressional Budget Office's (CBO) current estimate of non-accelerating inflation rate of unemployment (NAIRU)* then was 5.1%. In that light, the Fed is still clearly planning on tightening later, but not as much later as just looking at the unemployment rate would indicate.

To return to the punchbowl analogy, they're spiking it but with 80 proof not 120 proof.

	Unemployment Rate (%)	SEP Longer Run Unemployment or CBO NAIRU (%)	Difference (%)
2004	5.5	5.1	0.4
2015	5.0	5.0	0.0
2023	3.5	4.0	-0.5

*Non-accelerating inflation rate of unemployment (NAIRU): the lowest level of unemployment that can occur in the economy before inflation starts to move higher.
Source: Haver Analytics, Congressional Budget Office, Stone Harbor Investment Partners calculations

Emerging Markets Debt

External Sovereign Debt

External sovereign debt spreads tightened 16 basis points (bps) and the JP Morgan EMBI Global Diversified returned 0.45%. The top country performers included Ecuador (9.54%), Argentina (7.74%), and Venezuela (2.49%). The bottom performers included Lebanon (-4.83%), Jamaica (-1.73%), and Belarus (-1.73%). All regions posted positive total returns, with Latin America leading with a total return of 0.91%. Apart from these top and bottom performers, total returns at the country level were generally muted.

Local Currency Debt

The JP Morgan GBI EM Global Diversified returned 0.17%. EM currencies returned 0.29% in aggregate. The Brazilian real, Philippine peso, and South African rand outperformed, appreciating 1.90%, 1.85%, and 1.82%, respectively against the US dollar. The Turkish lira, Colombian peso, and the Russian ruble declined 1.36%, 1.24%, and 1.19%, respectively.

The yield of the JP Morgan GBI EM Global Diversified increased to 4.90%. Turkey's local bond yields rose by +19 bps, followed by Colombia (+18 bps) and Uruguay (+17 bps). Domestic bond yields declined in the Philippines (-26 bps), Indonesia (-5 bps), and the Dominican Republic (-4 bps).

In central bank actions, key rates remained unchanged in Chile (0.5%), Egypt (8.25%), and Indonesia (3.50%). In Brazil, the central bank surprised with a 75 bps hike of the SELIC rate to 2.75%. Consensus market expectation was for a 50 bps increase. Similarly, Turkey's central bank surprised with a 200 bps increase in its policy rate to 19%, 100 bps above expectations.

EM Corporate Debt

The CEMBI Broad Diversified generated a positive return for the first time in several weeks, driven by the high yield segment. However, returns for the month and year are still negative at (0.55%) and (0.72%), respectively. All the major regions were positive, with Latin America outperforming. Pulp & paper names had a positive return on the week after having underperformed for the year as rising US Treasury rates impacted the sector that tends to finance with longer-term bonds. After reaching a 12-month high last Friday, oil prices softened during the week, which negatively impacted some of the oil producers in the Index. Higher US Treasury rates continued to be the dominant theme for EM corporates. The performance gap between high yield and high grade continued to grow this week, with high yield now having outperformed high grade by approximately 276 bps year-to-date.

Flows/Issuance

No emerging market sovereigns issued bonds this week. In EM corporates, the volatility in the rates market had a negative impact on new issues, resulting in almost no new issuance in Latin America, and Central and Eastern Europe, Middle East, and Africa (CEEMEA).

According to Emerging Portfolio Fund Research (EPFR), EM fixed income funds saw net outflows of approximately US$873 million for the week through 16 March, driven predominantly by outflows from hard currency debt 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

China

This week's reports on January and February retail sales and industrial production exceeded market expectations. China reported that retail sales increased 33.8% year-to-date vs last year, compared to consensus estimates of a gain of 32%. Industrial production jumped 35.1% year-over-year for the same period vs an expectation of 32.2%. Fixed asset investment missed expectations of 40.9%, but still increased by 35% from a year ago. The key upside surprises in the data included a rebound in credit growth, boosted by long-term household and corporate loans. In addition Jan-Feb exports beat expectations by a wide margin, even after excluding base effects. Finally, consumption and services, particularly strong box office receipts, showed a faster recovery in public confidence and consumer sentiment than anticipated. We note that strict lockdowns last February created a very low level for the year-to-date growth rate comparisons.

Chile

Chile continues to lead Latin America and many parts of the developed world in vaccine distribution. As of 18 March, 39.4% of Chile's population has received at least one dose of vaccine, according to data from GitHub. This figure compares to 33.9% for the US and 11.9% for Germany. In Latin America, the country with the next highest percentage is Uruguay with 6.2% of its population receiving one or more doses. Chilean authorities now project that 80% of the population will be fully vaccinated by June, putting the country on track to be one of the first in the world to reach herd immunity. Chile has secured vaccine supply through Pfizer, AstraZeneca, Johnson & Johnson, as well as Chinese maker Sinovac and has used an existing infrastructure for mass inoculations through the national immunization program. However, we note that as Chile heads into winter, infections are on the rise.

Ivory Coast

Ivory Coast Prime Minister Hamed Bakayoko, who was a close ally of President Alassane Ouattara and was seen as his likely successor, passed away this week following cancer treatment in a German hospital. A cabinet reshuffle is expected in the coming weeks to fill the Prime Minister's vacancy and possibly replace ministers who lost their parliamentary seats in last week's election. Bakayoko had won the parliamentary seat in the Seguela district with 90 percent of the votes, without campaigning in person. The win was a part of a larger victory for President Ouattara's party, which secured 137 out of 255 seats in the National Assembly. Ouattara will likely pick Patrick Achi, who served as the interim Prime Minister since Bakayoko's hospitalization in February, as his replacement.

While Achi appears to have built a close working relationship with Ouattara, which should facilitate a smooth transition, it is unclear whether Achi will also replace Bakayoko as Ouattara's likely successor.

Lebanon

As Lebanon continues to struggle from a deep financial crisis, the lack of government formation and a dramatic depreciation of the currency have led to increasing public discontent and resumption of protests. The currency has lost 90% of its value since October 2019 when anti-government protest erupted, and represents a 25% decline in the past few weeks alone. Depleting foreign currency reserves have also led to delays in the arrival of fuel shipments, resulting in extended power cuts around the country. Despite these significant challenges facing the country's economy, Prime Minister-designate Saad Hariri and President Michel Aoun have yet to agree on the shape of the Cabinet that would determine the formation of a new government. Lebanon's sub-index was the largest underperformer this week.

Mongolia

Normally, our preference is not to comment on rating agency actions; however, the details of Moody's recent change in its outlook for Mongolia (B3) from negative to stable highlights an important development, in our view. Moody's explains how support from multilateral lenders, namely the IMF and World Bank, as well as the country's debt liability management efforts, have reduced the country's gross borrowing requirements and financing uncertainty. Mongolia's government was able to meet its debt repayment obligations in 2020, which Moody's calculates surged to nearly 21% of GDP. While Mongolia's financing needs remain high (nearly 14% of GDP), they are lower now, and as Moody's notes, "continued support from multilateral lenders will support budgetary expenditures" this year. Mongolia's external sovereign debt credit spreads widened 7 bps this week.

Peru

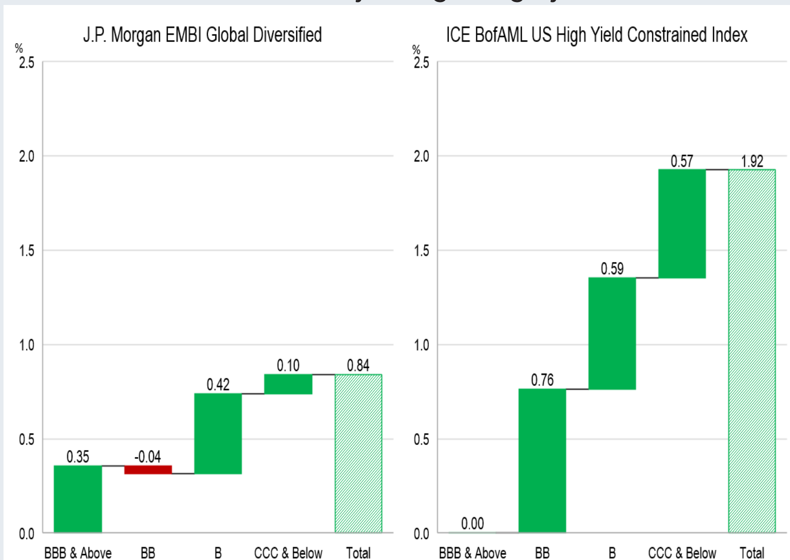
The results of mid-March polls conducted by three local pollsters indicate that Peru's political climate remains competitive ahead of the upcoming presidential and legislative elections on 11 April. Yonhy Lescano (center left) has gained momentum and currently leads, but the race for second place in a likely run-off election remains open. While far right businessman Rafael Lopez Allaga has gained momentum in the polls, centrist candidate George Forsyth has been losing momentum and risks missing the likely run-off contest. Given the statistical error of the polling process, four candidates are technically tied for the second position. Peru's external sovereign debt spreads tightened and returns were positive on average; while local currency markets underperformed the broader index.

Sri Lanka

A loan from China Development Bank (CDB) for approximately US$700 million is close to being finalized, according to Sri Lanka's Treasury Secretary S R Attygalle. The loan would be split into two tranches, one in US dollars totaling US$500 million and the remainder in yuan (US$200 million equivalent). This will add to the support from a US$1.5 billion FX swap line with the People's Bank of China, which was approved last week. While the loan will provide liquidity, Sri Lanka's debt service payments and interest burden remain high. Sri Lanka's external sovereign debt spreads widened this week.

Chart of the Week

Duration-Adjusted Returns, Quarter-to-Date
Contribution by Rating Category



Sources: JP Morgan, Bank of America, Bloomberg, Stone Harbor Investment Parters LP

US high yield debt has outperformed EM external sovereign debt in total return so far this year. The total returns of the ICE Bank of America US High Yield Constrained Index and the JP Morgan EMBI Global Diversified through 18 March were 0.25% and -4.14%, respectively. The rise in US Treasury yields, which have increased 83 bps in the 10-year maturity since 31 December 2020, has been a driver of the US high yield debt outperformance, given the longer duration of the EM benchmark. Our Chart of the Week provides the duration-adjusted returns for the two indices and the contributions to these returns from the various rating categories. On this basis, US high yield debt has also outperformed. However, a major factor in the US/EM return divergence has been the performance of US high yield bonds rated CCC or below, which have posted excess returns of 5.18% quarter-to-date. As the end of Q1 approaches, we believe that portfolio rebalancing decisions may favor EM debt in risk-adjusted terms, given our view that faster growth in many developing countries will provide further support for EM spread compression.

Global High Yield

US High Yield

Rates volatility was the key factor in the high yield market's momentum this week along with a heavy new issue calendar. The 15 bps move in the 10-year Treasury put pressure on high quality long duration BB paper, which led to a -30 bps return. Buyers did step in on BB's but mostly in short duration bonds trading with a two- to three-year call date. Lower quality CCC issues outperformed, led by sectors tied to re-openings such as airlines, leisure, drillers, and refining, as well as sectors with lower dollar names including services, retail, and media. CCC's delivered a return of 0.3% vs -0.1% for the index. Average volumes were soft due to a shortage of buyers, ETF selling, real money redemptions, and elevated dealer inventories. Adient plc is selling its 49.9% joint venture interest in Yanfeng Adiant Seating Co. to Yanfeng Automotive Trim Systems Inc., and will receive ~US$1.4 billion in proceeds. Blackstone Group Inc. and Starwood Capital Group acquired hotel owner and operator Extended Stay America Inc. for US$6 billion. GFL Environmental Inc. is acquiring the solid waste and environmental solutions business of Terrapure Environmental Ltd. for CAD$927.5 million.

Leveraged Loans

Loan market returns turned positive as volatility subsided, economic data showed continued improvement, and new issue announcements slowed. The S&P/LSTA Leveraged Loan Index returned 0.05% for the week, the average Index bid price declined 3 bps, and the spread-to-maturity was unchanged at L+409. The re-opening theme was dominant among industries as retail and energy-related sectors outperformed, while higher quality sectors underperformed. The primary market continues to dominate headlines with several large deals allocating with a combination of refinancings as well as leveraged buyout (LBO) and acquisition-related deals. Notably, the buyout financing for the acquisition of Nestle Waters North America Holdings, Inc. by private equity sponsor One Rock and Metropolous & Co. was in the market. The deal, also known as Triton Water Holdings Inc., was well subscribed and of note, the borrower ultimately upsized the term loan and eliminated the senior secured bond portion of the financing as well as tightened price talk. The loan market continued to see Collateralized Loan Obligation (CLO) formation along with inflows from retail loan mutual funds and Exchange Traded Funds (ETFs), both of which supported secondary trading levels. There were no defaults in the Index this week.

European High Yield

Overall, European high yield returned 0.28% week-over-week. Performance across rating categories was more balanced this week with CCC-rated names returning 0.38%, single B names 0.33%, and BB 0.24%. Overall spreads were -8 bps tighter. Despite a number of negative developments on the vaccine front and rising European Covid cases, cyclical sectors such as retail, gaming, and restaurants continue to outperform. Given very favorable conditions, we saw a number of credits issuing bonds with longer tenors. IAG, an airline group, Foncia, a real estate management company, Faurecia, a car part supplier, as well as Gamenet, an Italian gaming company, all announced new deals this week.

Flows/Issuance

In US high yield, Lipper flows were positive but mostly due to a one-day US$2 billion ETF inflow earlier in the week, while retail and institutional accounts saw outflows. The high yield primary market exceeded the prior week's issuance of US$14 billion with US$15.9 billion. Activity picked up due to rates volatility ahead of this week's FOMC meeting. T-Mobile US Inc. priced an upsized US$3.8 billion deal with 5-, 8-, and 10-year maturities with proceeds to be used to purchase spectrum licenses and redeem notes. Ferrellgas L.P. sold US$1.475 billion of new notes to refinance existing notes as part of its restructuring plan under Chapter 11.

US loan funds saw net inflows total about US$528 million for the week ended 10 March, continuing a streak of gains for the asset class for the ninth week, according to Lipper. Year-to-date, US loan fund net inflows total about US$7.5 billion, according to Lipper weekly reporters.

In Europe, flows were balanced this week with a modest inflow of EUR190 million per EPFR.

Source: Lipper, JP Morgan

Industry Insights

Restaurants: For the restaurant sector, the narrative continues to be centered around the re-opening theme. As the vaccine rollout continues along with additional re-openings and warmer weather there is optimism for improved traffic and top-line improvement. Additionally, as re-openings continue, consumers appear to be on strong footing, also boosted by incoming stimulus funds. Overall, this is a constructive backdrop for the sector, and increases in food and labor costs are likely to be mitigated in the short term.

Retail Non Food / Drug: Food retailing has been a significant beneficiary amidst the Coivd pandemic. Increased food-at-home consumption due to limited in-restaurant capacity, easy access to groceries via delivery and curbside pickup, and elevated work-from-home activity drove record growth over the past twelve months. We expect these trends to continue; however, growth is expected to moderate. As we note in the restaurants commentary above, however, the domestic consumer remains on strong footing, and will be further supported by government stimulus checks in the months ahead. Overall, we believe food-at-home consumption will remain at elevated levels and online grocery penetration will remain closer to the low double-digit levels seen over the past year vs the mid-single digit penetration we've seen in the past. In our view, the industry should be able to pass through any near-term food or labor inflation.

Services: The services industry, which covers many sub-sectors that are quite varied in their economic drivers, is largely holding up well in the aftermath of the Covid-19 crisis. The largest sub-sectors are alarm companies, service providers to the construction and housing markets, and automotive services. Alarm companies have largely benefited from the Covid crisis and its aftermath due to lower customer churn and strong new and existing home sales, which, along with resilient construction markets, also helped those servicing the construction and housing markets. After an initial decline in car sales and driving activity, auto services companies have seen a solid rebound in 2H 2020 at dealerships with continued strength in used car sales expected in 2021.

Investment Grade

Governments

US 10-year yields rose to 1.72% from 1.49% over the course of the week with the sell-off accelerating post Wednesday's FOMOC meeting. Five-year yields rose to 0.85% over the same period. The yield curve continues to steepen as the market grapples with low Fed rates for the foreseeable future and concern of inflation from government fiscal stimulus. Core European bonds have to some extent disassociated themselves from the US. Ten-year Bunds now stand at a yield of -28 bps, a rise of 5 bps over a week that saw similar maturity Treasuries rise 23 bps. Stronger messaging from the ECB, Covid stumbles, and a lack of additional fiscal stimulus have all contributed to this. UK Gilts have performed midway between US Treasuries and German Bunds. Key drivers of this were broad-based positive data and Bank of England Governor Bailey acknowledging inflation concerns, which he characterized as a risk rather than an expectation.

Corporates

Investment grade corporates got off to a slow start at the beginning of the week where focus was on supply and the FOMC. Spreads were mostly sideways prior to the FOMC meeting but managed to tighten by a couple of basis points after the Fed left policy unchanged and emphasized the desire to provide the economic support needed for as long as necessary. Rates and spreads have shown a positive correlation so far this month with 10-year Treasuries higher by roughly 31 bps while corporate spreads have widened by 7 bps, leaving the Bloomberg/Barclays Corporate Index at +97 bps. With the treasury curve steepening, investors continue to look out along the curve for yield.

Generally speaking, a steepening treasury curve has been positive for spreads, however with year-to-date total returns at -5.11%, investors have shown more caution.

Securitized

Mortgage-backed securities (MBS) spreads were flat for the week with higher coupons outperforming lower coupons. Asset-backed securities (ABS) cards and autos widened 2 bps on another heavy issuance week. The commercial mortgage-backed securities (CMBS) credit curve flattened with the 10-year Seniors 2 bps wider on the week, and BBB- was 10 bps tighter. The largest CMBS private-label deal this year at $2 billion is currently marketing.

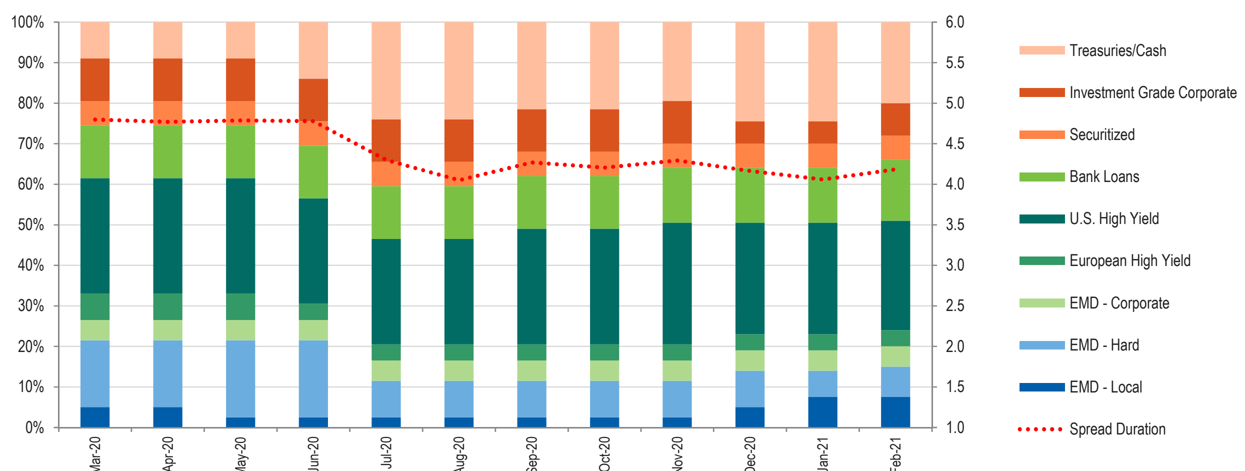
The Fed announced their continued support for the mortgage market by maintaining the MBS purchase program at a pace of at least US$40 billion per month. They also announced the end to their agency CMBS purchase program after 23 March, citing the market's recovery. The MBA Refi Index dropped another 4% week-over-week on higher rates with the index down 39% year-over-year. The MBA Purchase remains solid at +2.6% week-over-week.

Flows/Issuance

In the primary markets, investment grade corporate deals continue to come at a steady pace with deal flow approaching US$24 billion, slightly under expectations for the week. However, the markets still await a sizeable deal from AT&T, while T-Mobile issued unsecured bonds in the high yield markets, rather than secured bonds in investment grade. Fund flows showed a net outflow of US$1.3 billion in high grade bonds ex-short term, according to EPFR. This comes after three consecutive months of inflows totaling US$52.2 billion, according to JP Morgan. Lipper reported flows into high grade funds of US$3.3 billion, however, JP-Morgan stated that the difference in flows between the two services amounts to a lack of international presence on the part of Lipper, which happened to show a large outflow this period.

Source: EPFR

Stone Harbor Multi-Asset Credit Target Allocations (%)



Stone Harbor Multi-Asset Credit Representative Target Allocation as of 28 February 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 March 17, 2021		Spread or Yield Change (bps or %)						Total Return (%)				
		Level	1W*	MTD	QTD	YTD	LTM	1W	MTD	QTD	YTD	LTM
EM	EMBI Global Diversified	352	(16)	(6)	1	1	(226)	0.5	(0.6)	(4.1)	(4.1)	15.0
	CEMBI Broad Diversified	258	(7)	8	(11)	(11)	(262)	0.1	(0.6)	(0.7)	(0.7)	14.8
	GBI EM Global Diversified Yield	4.90	0.04	0.20	0.69	0.69	(0.70)	0.2	(1.8)	(5.4)	(5.4)	12.8
EM Sovereign Debt	EMBI Global Diversified	352	(16)	(6)	1	1	(226)	0.5	(0.6)	(4.1)	(4.1)	15.0
	EMBI GD Investment Grade	146	(15)	(9)	(2)	(2)	(154)	0.3	(0.8)	(5.4)	(5.4)	9.2
	EMBI GD High Yield	606	(17)	(3)	(2)	(2)	(380)	0.7	(0.3)	(2.6)	(2.6)	22.3
EM Sovereign Debt Regions	Africa	528	(18)	(7)	(27)	(27)	(405)	0.7	(0.2)	(2.1)	(2.1)	35.1
	Asia	226	(11)	(3)	(6)	(6)	(110)	0.2	(0.6)	(3.2)	(3.2)	5.5
	Europe	270	(10)	(4)	5	5	(179)	0.1	(0.5)	(3.0)	(3.0)	14.2
	LATAM	365	(22)	(9)	11	11	(248)	0.9	(0.6)	(6.7)	(6.7)	13.7
	Middle East	363	(10)	(1)	(4)	(4)	(218)	0.1	(0.7)	(3.2)	(3.2)	15.7
EM Corporates	CEMBI Broad Diversified	258	(7)	8	(11)	(11)	(262)	0.1	(0.6)	(0.7)	(0.7)	14.8
	CEMBI BD Investment Grade	154	(4)	4	(15)	(15)	(147)	(0.1)	(0.8)	(1.7)	(1.7)	9.0
	CEMBI BD High Yield	468	(9)	10	(18)	(18)	(423)	0.4	(0.3)	0.6	0.6	23.4
US High Yield	US High Yield	332	(2)	6	(28)	(28)	(514)	(0.1)	(0.4)	0.3	0.3	23.1
	US High Yield BB	252	0	10	(12)	(12)	(372)	(0.2)	(0.9)	(0.8)	(0.8)	22.8
	US High Yield B	361	(1)	8	(18)	(18)	(491)	0.1	(0.1)	0.6	0.6	21.0
	US High Yield CCC	549	(2)	1	(109)	(109)	(976)	0.3	0.8	3.3	3.3	28.4
European High Yield	Barclays PanEur HY	309	(8)	(8)	(48)	(48)	(523)	0.3	0.4	1.5	1.5	22.5
	2% Ex Financials Yield	3.26	(0.07)	(0.13)	(0.17)	(0.17)	(5.70)	-	-	-	-	-
Bank Loans	LSTA Price	97.6	(0.1)	(0.2)	1.4	1.4	13.0	(0.0)	(0.0)	1.8	1.8	18.6
	LSTA 100 Yield	3.73	0.03	0.07	(0.25)	(0.25)	(5.89)	-	-	-	-	-
Investment Grade	US Treasury 7-10 Yield	1.49	0.11	0.22	0.71	0.71	0.48	(0.8)	(1.7)	(5.0)	(5.0)	(2.5)
	1M LIBOR	0.11	0.00	(0.01)	(0.03)	(0.03)	(0.64)	0.0	0.0	0.0	0.0	0.3
	US Aggregate	33	(1)	(1)	(9)	(9)	(60)	(0.6)	(1.2)	(3.4)	(3.4)	2.1
	US Investment Grade Corporates	97	(2)	7	1	1	(158)	(0.8)	(2.2)	(5.1)	(5.1)	9.1
	Global Aggregate	34	0	0	(3)	(3)	(47)	(0.3)	(0.4)	(2.5)	(2.5)	2.1
	Barclays 1-5 Year Credit	49	0	8	8	8	(147)	0.1	(0.2)	(0.5)	(0.5)	5.8
FX	DXY (US dollar)	91.81						(0.4)	0.6	1.7	1.7	(8.2)
	GBI EM FX							0.3	(0.9)	(2.8)	(2.8)	4.7

1W reflects data from March 10 close through March 17 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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