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April 2, 2021

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Global Market Summary

US President Joe Biden announced his roughly US$2.25 trillion infrastructure plan this week while manufacturing PMIs from Europe and Asia and US ISM manufacturing PMI confirmed expected strength in industrial economy performance. Multiple European countries tightened restrictions as the continent faces a rising 3rd wave of the Covid-19 virus. As of Thursday, markets digested disappointing US data indicating that unemployment claims increased despite better labor readings earlier in the week. US non-farm payrolls will be released Friday morning (after release of this writing). The S&P 500 Index reached an all-time high and credit spreads generally firmed. After the volatility surrounding the closing and reopening of the Suez Canal, crude oil prices closed the week unchanged after rising ahead of this week's meeting of OPEC and its allies, which agreed on gradual output increases over the next three months on Thursday. US high yield bonds again led credit markets in spread tightening and total return as rising US Treasury yields weighed against performance in emerging markets (EM) and investment grade corporate bonds. The US dollar appreciated vs the Euro, while emerging markets currencies depreciated, on average.

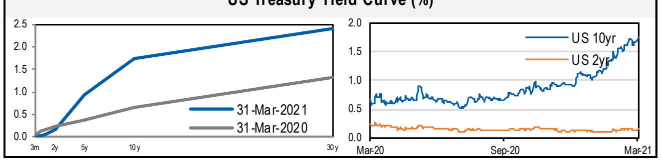
Emerging Markets

Index	Current Level (bps or %)	12 mos Change Spread or Yield (bps or %)	Weekly Change (bps)	12 mos Total Return
EMBI GD	353		-2	16.00%
EMBI GD IG	141		-5	9.08%
EMBI GD HY	620		5	25.21%
Africa	556		18	38.80%
Asia	213		-5	10.11%
Europe	290		-4	12.67%
LATAM	361		-5	13.81%
Middle East	358		-2	16.00%
CEMBI BD	258		-3	18.31%
CEMBI BD IG	149		-4	12.44%
CEMBI BD HY	470		-7	27.07%
GBIEM GD (%)	4.99		-3	13.03%
EM Blend (%)	4.98		4	15.81%
EMBI ESG	328		-6	13.91%
CEMBI ESG	257		-7	17.85%
GBI ESG (%)	4.77		5	13.21%
		-150 0 150		Mar-20 Sep-20 Mar-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	310		-16	23.72%
US HY BB	227		-19	22.44%
US HY B	334		-19	21.59%
US HY CCC	548		-2	33.33%
Pan Euro HY	313		-8	21.82%
LSTA 100 (%)	3.74		0	20.71%
		-200 -100 0 100 200		
US Treasury 7-10 (%)	1.60		15	-5.89%
1M LIBOR (%)	0.11		0	0.27%
US Agg	31		-3	0.71%
US IG Corp	91		-6	8.73%
Global Agg	33		-1	1.50%
		-300-200-100 0 100 200		Mar-20 Sep-20 Mar-21

US Treasury Yield Curve (%)



Other Asset Classes
(12 mos Total Return)

	Level	Currency Return vs USD		Level	Commodities		Level	Equities
EURUSD	1.17	6.34%	Gold	1,716	7.17%	S&P500	3,973	53.71%
USDJPY	110.72	-2.87%	VIX	19	-63.77%	MSCI World	8,403	54.03%
EM FX		5.18%	Brent	64	179.42%	MSCI EM	3,123	58.92%
		Mar-20 Sep-20 Mar-21			Mar-20 Sep-20 Mar-21			Mar-20 Sep-20 Mar-21

As of: March 31, 2021. Source: Bloomberg. For illustrative purposes only. See disclosures at end of material for additional information.

Global Backdrop

United States

President Biden revealed details of a US$2.25 trillion infrastructure plan which includes spending on manufacturing, renewable energy, transportation, and improving quality of life. To cover the cost of the plan, the President proposed increases to the corporate income tax rate, from 21% to 28%, and an increase to the minimum tax rate of global corporate earnings from 13% to 21%. Although the US$1.9 trillion Covid-19 relief package passed the House and Senate, this new infrastructure bill will likely face more hurdles as Republicans, and some moderate Democrats, oppose increasing tax rates.

After stabilizing for several weeks, Covid cases in the US drifted higher this week, perhaps due in part to re-openings, but that is offset by further progress in vaccinations. Nearly 38% of adults have been inoculated with at least one dose of vaccine while 21% of adults have been fully vaccinated. President Biden announced that 90% of adults will be eligible to receive vaccines by 19 April.

Europe

The UK and EU concluded technical discussions and reached an agreement on a Memorandum of Understanding (MoU) laying the foundation for a Joint Financial Regulatory Forum to facilitate cooperation and open dialogue concerning financial services. The content and substance of the deal have been finalized, however, the two sides are working towards completing the formal validation process.

The combination of a slow vaccination rollout and rising infection rates has forced some of Europe's largest economies to broaden and/or extend restrictions. In France, President Macron announced a four-week nationwide lockdown, closing businesses and schools, while Prime Minister Draghi extended Italy's restrictions through the end of April. J&J will begin delivering vaccines to Europe in mid-Apri,l which should help the bloc ramp up its vaccination program. Elsewhere, the UK will be adding Moderna to its arsenal of available vaccines, with rollout expected in April, alleviating some concerns around delivery delays of AstraZeneca's doses.

Japan/Asia

Shortly after the Bank of Japan (BoJ) widened its 10-year Japanese Government Bond (JGB) target range to -/+25bps around zero, the central bank announced plans to reduce the frequency of asset purchases across all maturities, to facilitate less restrictive movement in bond yields. The Tankan survey released this week reflects improving sentiment in Japan with the upside surprise in capital expenditure plans being most notable. Large companies surveyed are forecasting an average 3% increase vs estimates for a 1.4% contraction in spending for fiscal year 2021.

In Australia, vaccinations picked up from the prior week with 2.4% of the population having received at least one dose of vaccine. The city of Brisbane implemented a 3-day lockdown in efforts to contain its first outbreak of Covid infections in over a month. Non-essential shops, schools and offices were closed.

Economist Corner

Seamus Smyth, PhD, Developed Markets

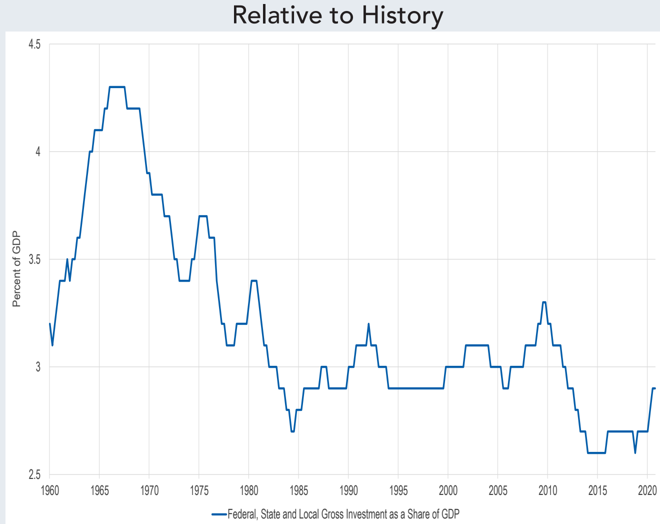
Steffen Reichold, PhD, Emerging Markets

After passage of their coronavirus relief package the Biden Administration this week turned to its infrastructure package, releasing some details on their opening proposal. Looking at the plan in historical context, the increase in government investment as a share of GDP would be meaningful, but would mostly reverse the last decade's quite low share rather than push to new, higher levels.

Currently, government at the federal, state and local levels combined spends a relatively low share of GDP on investment. As the accompanying figure shows, the current share of investment as a share of GDP is very low. Over the last decade it was generally a bit over 2½% of GDP (the recent uptick was mainly due to low current GDP from the pandemic and will reverse). Over the several decades prior to that government investment was closer to 3%, and in the 60s and 70s was much higher at 3½-4%.

The Biden plan if fully implemented—an aggressive assumption as it faces a long Congressional road ahead—would help increase that. Over eight years, the plan aims to spend roughly US$2.25 trillion, about US$275 billion per year. Of that a big chunk is actual physical infrastructure investment, which would show up as government investment in the GDP accounts. But there is also a substantial amount that would likely not: elder and disability care, though included in the infrastructure package, are not really infrastructure. Moreover, depending on precise details of how the legislation is structured, some of the spending will likely show up in GDP as private investment. The exact amounts will depend on details we don't yet have, but we think a reasonable assumption is that only a quarter to a third of the US$275 billion translates into government investment, about US$75 – 100 billion per year. Since current investment is about US$600 billion, the Biden plan's extra investment would push the total up to US$675 – 700 billion, slightly over 3% of GDP. In other words, the Biden plan would merely return government investment to the 1990s and 2000s pace, from that of the 2010s.

Recent Government Investment Has Been Low Relative to History



Source: Haver Analytics, Stone Harbor Investment Partners Calculations
4-Quarter Moving Average

Emerging Markets Debt

External Sovereign Debt

The spread on the JP Morgan EMBI Global Diversified tightened 2 basis points (bps), resulting in a benchmark return of -0.6%. The top country performers included Sri Lanka (3.71%), Ecuador (1.32%), and Venezuela (0.97%). The bottom performers included Lebanon (-4.37%), Ghana (-3.3%), and Senegal (-2.61%). All regions posted negative total returns.

Local Currency Debt

The JP Morgan GBI EM Global Diversified posted a total return of -0.19%, consisting of returns from spot EM currencies of -0.29%, and -0.1% from yield and duration. In FX, Chile, Mexico, and Russia outperformed, appreciating vs the US dollar by 1.4%, 1.7%, and 1.2%, respectively. Turkey's lira declined 4.3% while the Brazil real and Romania leu depreciated by 1.5% and 1.3%, respectively.

The yield of the JP Morgan GBI EM Global Diversified dropped 4 bps to 4.99%. Turkey's local bond yields increased by 26 bps. Domestic bond yields from Chile, Colombia, and Peru rose by 22 bps, 15 bps, and 22 bps, respectively. Yields fell in Brazil (-16 bps), Russia (-15 bps), and Mexico (-10 bps).

In central bank actions, key rates remained unchanged as expected in Chile (0.50%), Colombia (1.75%), and Dominican Republic (3.00%).

EM Corporate Debt

The CEMBI Broad Diversified posted a negative total return of (0.15%) this week. For the quarter, the index was down (0.80%). The performance of investment grade and non-investment grade segments of the benchmark diverged as rising US Treasury yields reduced returns most in the high grade sector: high yield debt returned 0.41% on average compared to the -1.69% return of investment grade bonds. Despite the high proportion of investment grade and long duration constituents, Asia outperformed Latin America during the quarter, driven by outperformance in India and Indonesia. Latin America's regional underperformance was primarily a by-product of a surging Covid-19 outbreak and political headlines in Argentina, Brazil, Mexico, and Chile. In Europe, Turkey outperformed for most of the quarter, until unexpected changes at the Central Bank sparked a sell-off in late March. Despite oil price increases during the quarter, oil & gas was the worst performing industry as Brazil's Petrobras and Argentina's YPF, both large index constituents, were impacted by questionable governance practices. New issuance for the first quarter topped US$155 billion, an increase of US$22 billion compared to the first quarter of 2020. Nearly all of the increase came from Asia, which accounted for almost 60% of new issuance for the quarter.

Flows/Issuance

Four EM sovereign countries issued US dollar debt this week. Ghana sold US$3.025 billion in four tranches, including a zero-coupon 2025 maturity and coupon-bearing bonds with 2029, 2034, and 2042 maturities. Pakistan issued US$2.5 billion, including five-year, 10-year and 30-year bonds. Chile issued US$1.5 billion of a 32-year dual-listed Formosa sustainability bond. The bond will be listed on the London Stock Exchange ISD and the Taipei Exchange. The use of proceeds for the Chile issues will be to invest in projects that may qualify as eligible green expenditures and eligible social expenditures under Chile's sustainable bond framework. Finally, Maldives issued US$200 million of a new five-year bond at a yield-to-maturity of 10.5%.

According to Emerging Portfolio Fund Research (EPFR), EM fixed income funds saw net outflows of approximately US$380 million for the week through 29 March, comprised of outflows from hard currency funds (-$424 million) and local currency funds (-$184 million), flows into blended currency-benchmarked funds (US$225 million). 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

Real GDP as measured by a monthly indicator of activity decreased 2.0% year-over-year in December, better than the Bloomberg consensus forecast at -2.5% year-over-year, but in line with the 2.2% year-over-year drop recorded the month before. Nevertheless, growth remained strong at the margin: real GDP advanced 1.9% compared to a month ago, seasonally adjusted in January, the eighth consecutive monthly expansion. As a result, the GDP growth expanded 4.1% quarter-over-quarter over the last three months.

China

China's official manufacturing PMI rebounded to 51.9 in February from 50.6 previously, ahead of market expectations. With significant gains in both production and new orders subcomponents. The non-manufacturing PMI showed even larger gains to 56.3 from 51.4, also with significant gains in the new orders subcategory. While these are encouraging data points, they should be interpreted in light of the usual data distortions around the Lunar New Year holiday, which led to weaker numbers in the previous month.

The private Caixin manufacturing PMI moderated to 50.6 from 50.9 previously, below market expectations. Details show a sharp change in supplier delivery times, which could be related to the recent blockage in the Suez Canal. Overall, we maintain our view that China's economy continues to grow as the global economy recovers, but that sequential growth has moderated as policy stimulus has gradually reduced.

Ecuador

After two rejections, the Legislative Administration Committee allowed the country's Assembly to debate the Dollarization Bill, which is an important condition of the current US$6.5 billion IMF program. The legislation would bar Ecuador's central bank (BCE) from using its international reserves to finance public spending and ensure BCE's autonomy. The Assembly will now have thirty days to approve or reject the bill, otherwise it will become law upon President Lenin Moreno's signature. Separately, the race for the 11 April presidential election continued to tighten as recent polls showed that the centrist candidate Guillermo Lasso gained support relative to the front-runner populist Andres Arauz.

Mexico

Mexican President Andres Manuel Lopez Obrador (AMLO) sent a bill to Congress that aims to boost the state's role in energy markets, including the possibility of government takeover of private operations. The bill was submitted on Friday 26 March to the lower house, seeking changes in the hydrocarbons law that would allow the government to suspend private permits and intervene on the grounds of national security, energy security or the protection of the national economy. Mexico had opened energy markets to foreign investors in 2016. At that time, the government promoted the expansion of fuel imports, storage and distribution to private investors, lifted foreign ownership restrictions for service stations, and allowed the sale of gasoline brands other than Pemex for the first time in nearly 80 years. AMLO's bill follows the passage earlier in March of changes in the country's electricity law, which gives the state-run utility CFE priority over private power generators and calls for the revocation of certain private generation permits.

Sri Lanka

Sri Lanka's external sovereign debt continued to benefit from better market sentiment, reflecting the recent report of better than expected Q4 2020 GDP growth and the finalization of a US $1.5 billion currency swap agreement with the People's Bank of China, which will ease liquidity constraints in the short term. The country's State Minister for Capital Markets and Money confirmed the arrangement on 10 March. Sri Lanka reported on 16 March real GDP growth of 1.3% for Q4 2020. A Bloomberg survey of economists suggested a consensus expectation of -1.5%. Total returns of Sri Lanka US dollar-denominated Eurobonds ranged from +2.9% to +4.9% this week.

Tunisia

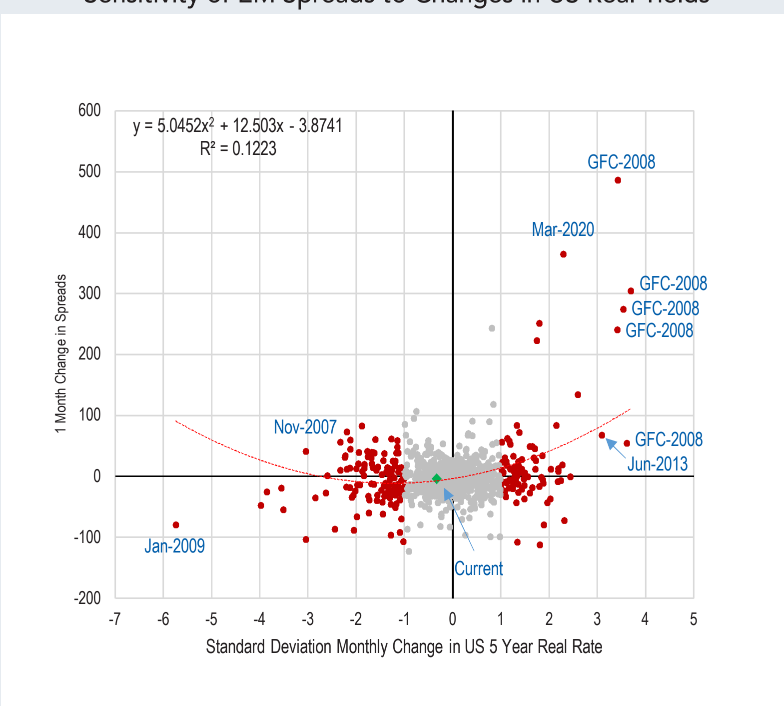
Tunisia's government and the country's biggest trade union agreed on subsidy reforms and an intention to restructure state-owned companies, potentially easing the path toward further engagement with the IMF. The agreement, announced by the Secretary-General of Tunisia's national trade union, addressed some of the concerns raised by the IMF about labor market inflexibility. Under the deal, seven state-run enterprises will be restructured, including the national air carrier Tunisair and power and gas utility STEG. In addition, the World Bank approved US$100 million to support vaccine deployment as Tunisia targets the vaccination of 50% of its population by the end of 2021. In a call with the IMF team covering Tunisia, we also note that IMF's staff believes Tunisia's debt is sustainable, which would allow the country to pursue a program if it chooses to do so.

United Arab Emirates

Data from GitHub as of 31 March indicates that as much as 83% of the population has received one or more doses of Covid vaccines. UAE was the first country to approve Sinopharm's vaccine in December after taking part in Phase III trials and has relied on China for vaccine supply to speed the path towards herd immunity. The successful vaccination campaign and closer cooperation with China have allowed the government to move domestic production plans forward. A joint venture with Abu Dhabi-based G42 will start producing the Sinopharm vaccine in April, turning UAE into a regional hub. A domestic production target of up to 200 million doses per year could also promote vaccination distribution to other countries in the Gulf.

Chart of the Week

Sensitivity of EM Spreads to Changes in US Real Yields



Sources: JP Morgan, Barclays, Bloomberg, Stone Harbor Investment Parters LP

For this week's chart, we assessed the historical relationship between EM debt spreads, nominal US Treasury yield levels, and changes in real US Treasury yields. Using 15 years of monthly data, with weekly observations, our regression analyses showed that EM credit performance has no close relationship with the level in UST yields. What matters is changes in real yields. The smile pattern shows that large increases or decreases in US real yields have coincided with generally higher EM credit spreads, reflecting either tightening of US monetary policy (higher real yields) or easing in response to a crisis (lower real yields). In our view, neither of these scenarios is likely in 2021 for several reasons. US real yields have adjusted higher since mid-February but are likely, in our view, to remain negative given long-term structural factors including an aging population and high levels of debt. The US Federal Reserve has pledged to maintain accommodative policies until at least the end of 2023. In addition, fiscal support in the form of the US$1.9 trillion stimulus package, and more spending for infrastructure renewal, insures against a downturn in growth. The chart denotes the dates of the largest 1-month standard deviation moves in US real yields - all events characterized by unusual macroeconomic events. The most current reading is the green dot. When real yields have remained stable (the grey dots in the chart), EM spreads have tightened in 55% of the observations.

Global High Yield

US High Yield

US high yield posted another strong week as US Treasury yields remained stable and equity markets and oil prices increased. Additionally, technicals improved as retail flows turned positive and over US$20 billion of cash from coupons/tenders/calls boosted cash balances. E&P bonds outperformed while oil, aerospace, and airlines also gained behind signs of improving air travel.

Hudbay Minerals announced the discovery of four new copper deposits in Arizona. Additionally, the company announced expectations to exceed its prior 2022 production guidance for copper and gold. Weight Watchers announced the redemption of its US$300 million of senior notes to be funded with the proceeds of a new term loan and secured bond offering.

Leveraged Loans

The loan market had a flattish tone this week despite volatility in other risk asset classes. The S&P/LSTA Leveraged Loan Index (the "Index") returned 0.01%, the average Index bid price declined 3 bps to US$97.55, and the spread-to-maturity widened 1 bp to L+413. As in recent weeks and the year-to-date, lower quality discounted CCC-rated issuers outperformed the higher quality portion of the Index. Commodity related sectors and those tied to the re-opening were the major outperformers. We continued to see an active new issue calendar with roughly 26 issuers, bringing a total of US$14 billion worth of deals. While issuance is skewed towards refinancings, recapitalizations, and repricings, we have seen an uptick in LBO/M&A activity in recent weeks. Two notable LBO transactions included the multi-billion dollar term loan backing the buyout of CoreLogic Inc. by Stone Point Capital and Insight Partners, as well as the term loans backing the LBO of Michaels Companies Inc by Apollo. We see continued steady Collateralized Loan Obligation (CLO) formation, with another US$1.9 billion printing, bringing the year-to-date to US$37 billion, well ahead of the US$17.9 billion priced in the same period last year. Further supporting technicals are inflows from retail loan mutual funds and Exchange Traded Funds (ETFs), posting their eleventh consecutive week of inflows. There were no defaults in the Index last week.

European High Yield

Overall, European high yield returned 0.12% week-over-week. Performance across rating categories ranged from 0.04% to 0.22% with CCC-rated names outperforming. Overall spreads were 6 bps tighter leaving spreads 4 bps tighter for the month-to-date. Cyclicals rebounded following last week's underperformance led by travel restrictions in Europe stalling the recovery in the consumer/cyclical sectors. Restaurants and airlines were 15 bps and 9 bps tighter, respectively.

During the month of March, no new defaults were recorded. This brings the 12-month trailing default rate to 3.5% from 3.75%. Despite the pace of vaccine roll-outs in the EU disappointing compared with expectations, full-year default projections continue to remain below 2%.

Volumes of new issuance continue to be elevated. Of note, Gatwick Airport priced a new 5-year GBP 475 million transaction at 4.375%, taking advantage of the pro-cyclical rebound. Following the news of the unwind of Archegos Capital's leveraged equities portfolio, there was pressure on AT1 paper, notably Credit Suisse, due to concerns about the size of the losses incurred by the bank.

Flows/Issuance

US high yield technicals improved with over US$164 billion of inflows and new issues slightly easing to US$11 billion. The March new issue supply increased to US$59 billion, bringing the year-to-date total to US$148 billion. Energy companies continue to be active, refinancing near-term maturities with high commodity prices. Vine Energy (B3/B-), a natural gas E&P, issued US$950 million of eight-year notes at 6.75% to refinance a 2023 maturity.

In European high yield, EPFR data continue to post modest flows into the asset class (+US$93 million this week).

US loan funds saw net inflows total about US$783.9 million for the week ended 24 March, continuing a streak of gains for the asset class for the eleventh week. Year-to-date net inflows reached roughly US$9.3 billion, according to Lipper.

Source: Lipper, JP Morgan

Industry Insights

Autos: Moody's completed a review of General Motors (GM) and Ford Motor Company. The agency affirmed GM's unsecured bond rating at Baa3 and improved the outlook from negative to stable. Moody's cited GM's sufficient liquidity, and that the company demonstrated the operational flexibility to handle the Covid-related decline in demand as well as the ability to transition to recovery. The agency anticipates solid free cash flow of US$1.5-2 billion as auto demand recovers, even with the semiconductor shortage. For Ford, Moody's affirmed the ratings at Ba2, while improving the outlook from negative to stable. The agency cited Ford's strong liquidity and the expectation that their robust new product launches in 2021 and progress on its "Redesign" initiatives will enable the company to improve EBITDA margins above 3% by the end of 2022.

Chemicals: Demand for chemicals continues to benefit from the economic recovery, with chemical activity now higher than pre-Covid levels. Commodity chemical prices continue to remain strong due to supply outages and strong demand. Celanese, a producer of Acetyls, increased guidance despite suffering from plant outages. Chemours announced a strategic review of its Mining Chemicals business, which largely produces cyanide for gold and silver mining.

Gaming: After stalling in the 4th quarter, the gaming industry recovery continued to move sideways in the 1st quarter of 2021 as the winter Covid headwinds continued with significant government restrictions amid increasing infection rates. Gaming companies posted 4Q results that reflected improving cash burn amid ongoing low activity levels in destination markets like Las Vegas and Macau. As well, local and regional operators continued to see only moderate revenue declines despite capacity limits, and significant margin improvements on limited marketing spending and amenities. Covid new case counts did decrease meaningfully throughout the 1st quarter, and restrictions were correspondingly eased both in the US and Macau, providing anecdotal evidence of improving activity heading into the 2nd quarter. Meanwhile, destination market operators are seeing signs of improving leisure demand on an uptick in interest for spring and summer travel as consumer sentiment improves on the vaccination rollout and successive Covid federal stimulus bills.

Investment Grade

Governments

After some consolidation, government bond yields resumed their ascent this week with 10-year Treasuries reaching another one-year high of 1.78% before retracing to end the period 13 bps higher at 1.74%. Treasury volatility, as measured by the ICE BofAML MOVE Index, moved back towards the upper end of its range and ended the week at 71. The Treasury curve bear flattened, as shorter maturities sold off more than longer-dated bonds, resulting in 5s30s falling 3 bps lower to 147bps. After stabilizing for a few weeks, 10-year Breakevens, a proxy of inflation expectations, also resumed their ascent and ended the period 6 bps higher at 2.37%. Core European government bond yields followed the global trend higher with 10-year Bunds and Gilts rising 6 bps and 9 bps to -0.29% and 0.85%, respectively. Peripheral spreads widened a touch with the spread on 10-year Spanish and Italian bonds 2 bps wider to 33 bps and 96 bps, respectively.

Corporates

High grade corporates finished the week and the month in strong fashion with spreads better by 5 bps for the week and only wider by 1 bp on the month. A flood of month-end buying moved the OAS on the Bloomberg/Barclays Corporate Index to +91 bps, resulting in excess return of +29 bps for March and +95 bps for the year-to-date. Total returns suffered in March at -1.72% while Q1 returns, at -4.65%, will go down as one of the worst quarters since 3Q08. The best performing sectors for March were wirelines, cable satellite, and other industrials; the worst performers were apartment REITS, packaging, and other REITS. As investors reached for higher yields, BBB-rated corporates beat higher quality with the BBB/A spread ratio at 41 bps, close to the narrowest in over a decade, while credit curves also narrowed with 10/30 curves at their narrowest point in 3 months according to JPMorgan. Banks were on the bottom of the list of performers over the period. Credit Suisse, Deutsche Bank, and Nomura suffered spread widening, given exposure to a failed levered bet by hedge fund Archegos. Unconfirmed rumors had losses approaching US$7 billion for Credit Suisse, while Nomura estimated it may suffer a US$2 billion loss and had to cancel a new deal they issued from the prior week. Spreads on Deutsche Bank and Credit Suisse bonds were initially wider by 8-10 bps on the news while Nomura saw their bonds wider by 15-20 bps before recovering some at the week's end.

Securitized

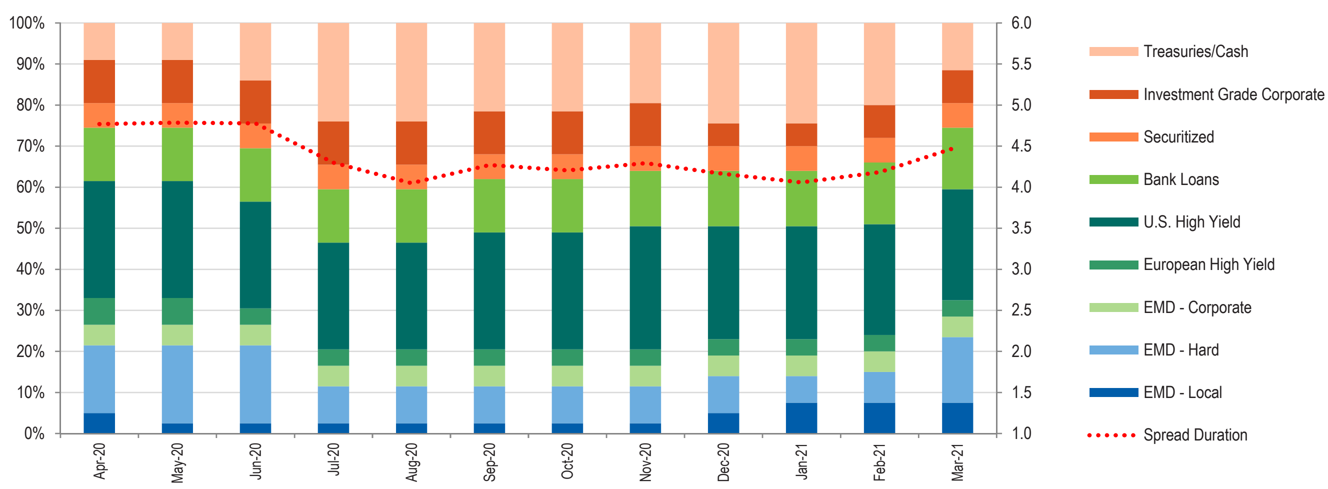
Agency mortgages tightened 4-5 bps while asset-backed securities (ABS) were slightly wider and commercial mortgage-backed securities (CMBS) flat to slightly wider. The FHLMC 30-year mortgage rate reached 3.17%, the highest since June 2020. The 1.5% coupon was dropped from the Fed (Federal Reserve Bank) purchase schedule, slightly earlier than expected. The market projects the 3.0% coupon to be added to the purchase schedule in coming months as production ramps up. Privately-held Federal Family Education Loan Program (FFELP) loans that are in default (about 1.1 mm borrowers) are now granted a payment moratorium until 30 September. This will reduce the volume of new FFELP rehab loans. The New York state legislature passed a measure allowing legacy contracts to amend LIBOR indices where no fallback language exists; legislation next goes to Governor Cuomo for his signature. The federal government is considering a similar fix with House hearings to begin in April.

Flows/Issuance

For high grade corporate debt, supply in the primary markets was well under expectations with only US$11.25 billion coming to market, however supply for the month hit US$190.66 billion, making it the 4th largest month of all time. Year-to-date supply is US$442 billion, down 12.13% vs this time last year. For the most part, the increased level of supply has been met with strong demand from investors. April's supply should be more moderate at US$85-90 billion as we enter the earnings black-out period. Fund flows into high grade corporates (HG Corp + HG Aggregate ex short term) were mildly positive by only US$44 billion for the latest period according to EPFR. Aggregate funds were the only constituent with positive inflows, while corporate only funds and internationally domiciled funds reported outflows. Year-to-date flows into high grade corporates remain positive by US$76 billion.

Source: EPFR

Stone Harbor Multi-Asset Credit Target Allocations (%)



Stone Harbor Multi-Asset Credit Representative Target Allocation as of 31 March 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 31, 2021		Spread or Yield Change (bps or %)						Total Return (%)				
		Level	1W*	MTD	QTD	YTD	LTM	1W	MTD	QTD	YTD	LTM
EM	EMBI Global Diversified	353	**(2)**	(4)	3	3	(274)	**(0.6)**	(1.0)	(4.5)	(4.5)	16.0
	CEMBI Broad Diversified	258	**(3)**	7	(12)	(12)	(341)	**(0.1)**	(0.6)	(0.8)	(0.8)	18.3
	GBI EM Global Diversified Yield	4.99	**(0.03)**	0.29	0.78	0.78	(0.36)	**(0.2)**	(3.1)	(6.7)	(6.7)	13.0
EM Sovereign Debt	EMBI Global Diversified	353	**(2)**	(4)	3	3	(274)	**(0.6)**	(1.0)	(4.5)	(4.5)	16.0
	EMBI GD Investment Grade	141	**(5)**	(14)	(7)	(7)	(186)	**(0.4)**	(0.6)	(5.3)	(5.3)	9.1
	EMBI GD High Yield	620	**5**	11	12	12	(458)	**(0.7)**	(1.4)	(3.7)	(3.7)	25.2
EM Sovereign Debt Regions	Africa	556	**18**	20	0	0	(489)	**(1.7)**	(2.2)	(4.0)	(4.0)	38.8
	Asia	213	**(5)**	(17)	(19)	(19)	(208)	**(0.3)**	0.0	(2.6)	(2.6)	10.1
	Europe	290	**(4)**	16	25	25	(192)	**(0.2)**	(1.8)	(4.3)	(4.3)	12.7
	LATAM	361	**(5)**	(13)	7	7	(280)	**(0.5)**	(0.6)	(6.6)	(6.6)	13.8
	Middle East	358	**(2)**	(6)	(9)	(9)	(259)	**(0.5)**	(0.7)	(3.2)	(3.2)	16.0
EM Corporates	CEMBI Broad Diversified	258	**(3)**	7	(12)	(12)	(341)	**(0.1)**	(0.6)	(0.8)	(0.8)	18.3
	CEMBI BD Investment Grade	149	**(4)**	(1)	(20)	(20)	(227)	**(0.2)**	(0.7)	(1.7)	(1.7)	12.4
	CEMBI BD High Yield	470	**(7)**	12	(15)	(15)	(506)	**(0.0)**	(0.5)	0.4	0.4	27.1
US High Yield	US High Yield	310	**(16)**	(16)	(50)	(50)	(570)	**0.3**	0.1	0.8	0.8	23.7
	US High Yield BB	227	**(19)**	(15)	(37)	(37)	(427)	**0.4**	(0.3)	(0.1)	(0.1)	22.4
	US High Yield B	334	**(19)**	(19)	(45)	(45)	(522)	**0.3**	0.4	1.2	1.2	21.6
	US High Yield CCC	548	**(2)**	0	(110)	(110)	(1,156)	**0.2**	1.1	3.6	3.6	33.3
European High Yield	Barclays PanEur HY	313	**(8)**	(3)	(44)	(44)	(502)	**0.2**	0.5	1.6	1.6	21.8
	2% Ex Financials Yield	3.26	**0.04**	(0.12)	(0.16)	(0.16)	(6.84)	**-**	-	-	-	-
Bank Loans	LSTA Price	97.6	**(0.0)**	(0.2)	1.4	1.4	14.7	**0.0**	(0.0)	1.8	1.8	20.7
	LSTA 100 Yield	3.74	**0.00**	0.08	(0.24)	(0.24)	(5.05)	**-**	-	-	-	-
Investment Grade	US Treasury 7-10 Yield	1.60	**0.15**	0.33	0.82	0.82	0.95	**(1.0)**	(2.4)	(5.7)	(5.7)	(5.9)
	1M LIBOR	0.11	**0.00**	(0.00)	(0.03)	(0.03)	(0.88)	**0.0**	0.0	0.0	0.0	0.3
	US Aggregate	31	**(3)**	(3)	(11)	(11)	(64)	**(0.4)**	(1.2)	(3.4)	(3.4)	0.7
	US Investment Grade Corporates	91	**(6)**	1	(5)	(5)	(181)	**(0.2)**	(1.7)	(4.6)	(4.6)	8.7
	Global Aggregate	33	**(1)**	0	(4)	(4)	(49)	**(0.3)**	(0.4)	(2.5)	(2.5)	1.5
	Barclays 1-5 Year Credit	46	**(3)**	6	6	6	(174)	**(0.1)**	(0.3)	(0.6)	(0.6)	5.9
FX	DXY (US dollar)	92.76						**0.8**	2.6	3.7	3.7	(5.9)
	GBI EM FX							**(0.3)**	(1.7)	(3.6)	(3.6)	6.6

1W reflects data from March 24 close through March 31 close. Source: Stone Harbor; Bloomberg. For illustrative purposes only. See disclosures at end of material for additional information.

Important Information

Representative asset class benchmarks referenced herein are defined as follows: US HY: ICE BofAML U.S. High Yield Constrained Index (HUC0); EMD: J.P. Morgan EMBI Global Diversified; Loans: S&P/LSTA Leveraged Loan Index; EMDLC: J.P. Morgan GBI-EM Global Diversified; EMDCR: J.P. Morgan Corporate Emerging Markets Bond Index Broad Diversified; EUR HY: Bloomberg Barclays PanEuropean High Yield; IG Corp: Bloomberg Barclays Global Aggregate Corporate Index. The J.P. Morgan ESG Index applies a multidimensional approach to ESG investing for fixed income investors. It incorporates ESG score integration, positive screening (e.g. green bonds) as well as exclusions of controversial sectors and UN Global Compact violators. The S&P 500 is an index of 500 stocks chosen for market size, liquidity and industry grouping, among other factors. The S&P 500 is designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe. The MSCI World index captures large and mid-cap representation across 23 Developed Markets. Index constituents cover approximately 85% of the free float- adjusted market capitalization in each country. The index is a broad global equity benchmark without emerging markets exposure. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. As of January 2009 the MSCI Emerging Markets Index consisted of the following 23 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey and the United Arab Emirates. The U.S. Dollar Index (USDX) indicated the genera int'l value of the USD. The USDX does this by averaging the exchange rated between the USD and major world currencies. The ICE U.S. computed this by using the rates supplies by some 500 banks. VIX is a real-time market index that represents the market's expectation of 30-day forward-looking volatility.

Investments may not be made directly in an index. The J.P. Morgan CEMBI Broad Diversified (CEMBI Broad Diversified) tracks total returns of U.S. dollar-denominated debt instruments issued by corporate entities in emerging market countries and consists of an investable universe of corporate bonds. The minimum amount outstanding required is $350 mm for the CEMBI Broad Diversified. The CEMBI Broad Diversified limits the weights of those index countries with larger corporate debt stocks by only including a specified portion of these countries' eligible current face amounts of debt outstanding. The J.P. Morgan EMBI Global Diversified (EMBI Global Diversified) limits the weights of those index countries with larger debt stocks by only including specified portions of these countries' eligible current face amounts outstanding. The countries covered in the EMBI Global Diversified are identical to those covered by the EMBI Global. The J.P. Morgan GBI-EM Global Diversified (GBI EM Global Diversified) consists of regularly traded, liquid fixed-rate, domestic currency government bonds to which international investors can gain exposure. The weightings among the countries are more evenly distributed within this index. The ICE BofAML European Currency Non-Financial High Yield 2% Constrained Index contains all non-Financial securities in The ICE BofAML European Currency High Yield Index but caps issuer exposure at 2%. Index constituents are capitalization-weighted, based on their current amount outstanding, provided the total allocation to an individual issuer does not exceed 2%. Issuers that exceed the limit are reduced to 2% and the face value of each of their bonds is adjusted on a pro-rata basis. Similarly, the face values of bonds of all other issuers that fall below the 2% cap are increased on a pro-rata basis. The Bloomberg Barclays Treasury Index tracks the obligations of the U.S. Treasury with a remaining maturity of one year or more. The Bloomberg Barclays Pan-European High Yield Index measures the market of non-investment grade, fixed-rate corporate bonds denominated in the following currencies: euro, pounds sterling, Danish krone, Norwegian krone, Swedish krona, and Swiss franc. Inclusion is based on the currency of issue, and not the domicile of the issuer. The ICE BofAML U.S. High Yield Constrained Index (HUC0) contains all securities in ICE BofAML U.S. High Yield Index but caps issuer exposure at 2%. Index constituents are capitalization-weighted, based on their current amount outstanding, provided the total allocation to an individual issuer does not exceed 2%. Issuers that exceed the limit are reduced to 2% and the face value of each of their bonds is adjusted on a pro-rata basis. Similarly, the face values of bonds of all other issuers that fall below the 2% cap are increased on a pro-rata basis. In the event there are fewer than 50 issues in the Index, each is equally weighted and the face values of their respective bonds are increased or decreased on a pro-rata basis. The S&P/LSTA Leveraged Loan Index is a partnership between Standard & Poor's and the Loan Syndications and Trading Association, tracking returns in the leveraged loan market and capturing a broad cross-section of the U.S. leveraged loan market - including dollar-denominated, U.S.-syndicated loans to overseas issuers. The Bloomberg Barclays U.S. Aggregate Index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and assetbacked securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis. The Bloomberg Barclays U.S. Corporate Investment Grade Index is a sub-index of the U.S. Aggregate Index. It measures the investment grade, fixed rate, taxable corporate bond market and includes USD denominated securities publicly issued by US and non-US industrial, utility and financial issuers. The Bloomberg Barclays Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multicurrency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging market issuers. The Bloomberg Barclays 1-5 Year Credit Index tracks publicly issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity of between one and five years, liquidity, and quality requirements. Qualifying bonds must be SEC-registered.

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

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