Morgan Stanley

INVESTMENT MANAGEMENT

Global Fixed Income Bulletin

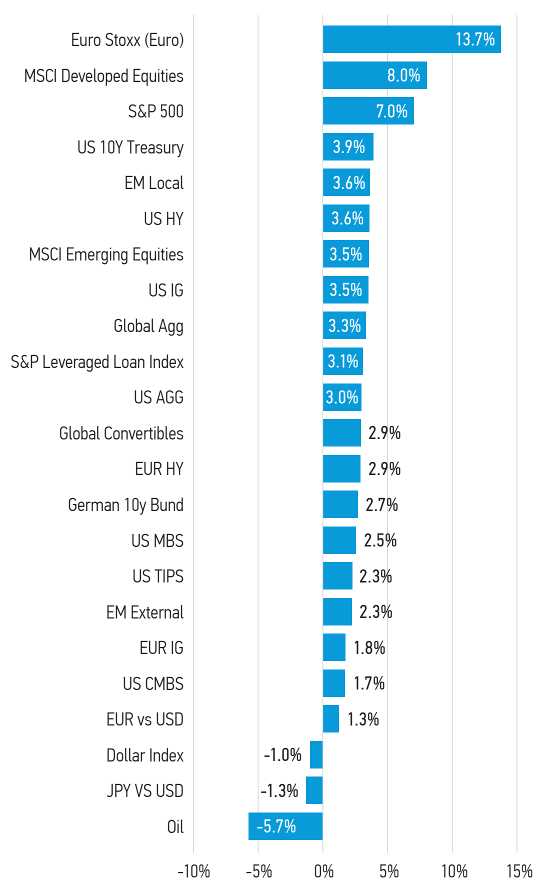
Reasons to Worry (Or Not Worry)

FIXED INCOME TEAM | MACRO INSIGHT | APRIL 2023

Investors were "dazed and confused" about the events of March and their potential impact. Worries about "too strong" growth flipped into worries about weak growth. Early in the month, after a string of stronger than expected U.S. economic data, it became clear that the Federal Reserve was more likely to dial up its hawkishness than dial it down, notwithstanding other central banks moving to pause their rate hiking cycles. But just as markets had repriced U.S. Treasury yields higher post Chairman Powell's Congressional testimony, problems in the banking sector arose in dramatic fashion, with the failure of regional U.S. banks and the takeover of Credit Suisse. This sent U.S. yields tumbling. From March 8 to March 13, the U.S. Treasury 2-year yield fell from 5.07% to 3.99%, a 108 basis point (bp) drop in three business days (unprecedented outside of easing cycles and the financial crises). Worries of a "no landing" of the U.S. economy (which had just grown from "soft landing") switched to worries of a "hard landing." Consensus expectations now foresee no U.S. economic growth for the remainder of the year. Instead of worrying about a potential 6% Fed funds rate in a "no landing" scenario, the market became worried about a 3% Fed funds rate.

DISPLAY 1

Asset Performance Year-to-Date



Note: USD-based performance. Source: Bloomberg. Data as of March 31, 2023. The indexes are provided for illustrative purposes only and are not meant to depict the performance of a specific investment. **Past performance is no guarantee of future results.** See pages 7-8 for index definitions.

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The banking sector turmoil caused significant market volatility in March, impacting multiple sectors, but primarily government bonds. Developed market rates experienced historic price action following hawkish Fed rhetoric early in the month, with yields initially rising and the unprecedented yield curve inversion intensifying. Other countries' yields duly followed. The further inversion of yield curves was completely unwound once the banking sector turmoil began, as investors sought safe havens in U.S. Treasuries and other government bonds.

During this tumultuous period, key economic data was mixed. A slightly stronger than expected CPI print showed that inflation remained sticky, supported by still strong service sector spending. Central banks in the developed economies largely remained committed to rate hikes. What was notable was the dialing down of forward guidance with regard to future rate hikes given the uncertainty of the consequences of banking sector stresses.

In contrast, emerging markets (EM) held up relatively well, with strong performance in EM local assets. Many EM currencies, particularly Latin American currencies, strengthened during the period as fears of a more pronounced slowdown in the U.S. economy, if not recession, grew.

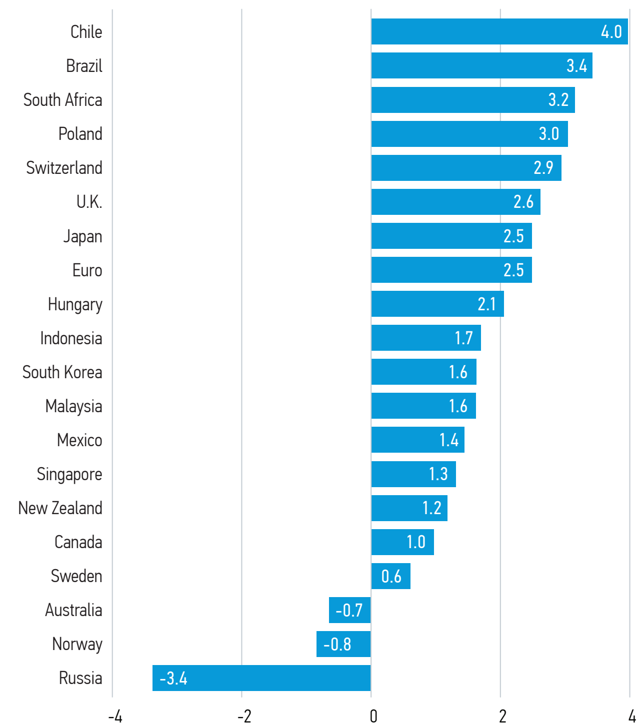
Credit markets weren't so lucky and experienced elevated volatility following the regional banking crisis, with markets demanding a higher risk premium. Fortunately, credit markets settled down after there were no further events that would suggest widespread volatility within the banking sector.

While developed markets experienced historically high price volatility, emerging markets held up well. The U.S. and global high yield markets saw increased volatility, but little lasting damage, while Euro investment grade (IG) spreads underperformed U.S. IG spreads. The securitized credit market also saw widening spreads. Despite the challenges, central banks largely remained committed to rate hikes, and the market gained confidence as the risk of a widespread banking crisis declined.

DISPLAY 2

Currency Monthly Changes Versus U.S. Dollar

(+ = appreciation)



Note: Positive change means appreciation of the currency against the USD. Source: Bloomberg. Data as of March 31, 2023.

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DISPLAY 3

Major Monthly Changes in 10-Year Yields and Spreads

COUNTRY	10-YR YIELD LEVEL (%)	MONTH CHANGE (BPS)	10-YR SPREAD (BPS)	MONTH CHANGE (BPS)
			(Spread over USTs)	
United States	3.47	-45		
United Kingdom	3.49	-34	2	+12
Germany	2.29	-36	-118	+9
Japan	0.35	-15	-312	+30
Australia	3.30	-55	-17	-10
Canada	2.90	-43	-57	+2
New Zealand	4.20	-37	73	+8
EUROPE			(Spread over Bunds)	
France	2.79	-33	50	+3
Greece	4.22	-23	193	+13
Italy	4.10	-38	181	-2
Portugal	3.12	-39	83	-3
Spain	3.30	-30	101	+6
EM	**10-YR LOCAL YIELD (%)**	**MTD CHANGE (BPS)**	**SPREAD (BPS)**	**MTD CHANGE (BPS)**
EM External Spreads			444	-14
EM Corporate Spreads			393	+4
EM Local Yields	6.89	-23		
			(Spread over USTs)	
Brazil	12.82	-63	935	-18
Colombia	11.76	-150	829	-105
Hungary	8.50	-15	503	+31
Indonesia	6.77	-11	330	+35
Malaysia	3.90	-2	43	+43
Mexico	8.84	-49	537	-4
Peru	7.56	-52	409	-7
Poland	6.04	-49	258	-4
South Africa	11.04	-13	758	+33
CREDIT			**SPREAD (BPS)**	**MTD CHANGE (BPS)**
U.S. IG			138	+14
EUR IG			170	+22
U.S. HY			455	+43
EUR HY			481	+62
SECURITIZED				
Agency MBS			153	+6
U.S. BBB CMBS			679	+147

Positive Neutral Negative

Source: Bloomberg, JPMorgan. Data as of March 31, 2023

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Fixed Income Outlook

Given the repricing of government bonds and heightened risk of recession in March, the spread widening was surprisingly muted. And price action in early April pushed credit spreads back towards their pre-banking turmoil levels. So, is it all a tempest in a teapot? A false alarm? Or something more sinister? Whichever answer is correct will have huge implications.

There are reasons to be worried and reasons to be more sanguine. What we do know is that the probability of a recession is higher now than it was in February, and the economic data in March was disappointing. While we do not believe the events of March are a harbinger of a new financial crisis, it does point to weak links in the economy and increased stresses that are likely to unfold in the months ahead. That said, the global economy rebounded strongly in the first quarter. The service sector outside the U.S. boomed. Whether or not that can continue in the face of weaker U.S. data remains to be seen.

March banking events laid bare the costs of the Fed's aggressive hiking on the banking system. Even without a crisis, we believe profitability looks challenged and unrealized losses on asset holdings look high as a percentage of capital. This is likely to lead to reduced lending and stricter lending standards as profitability is restored. Evidence released from the Fed already points to a significant slowdown in bank lending. Whether or not this gets worse we do not know. We think this should lead to slower growth in the months ahead, which should help keep yields low and put upward pressure on credit spreads.

Moreover, inflation is not beat. And the situation is worse outside the U.S. with inflation being particularly intransigent in Europe (although good news should start arriving by summer). This puts central banks between a rock and a hard place. Financial stability is wobbling. Economies are likely to decelerate over the next few quarters (albeit after surprisingly strong growth in Q1), which suggests pausing now or even considering rate cuts by the end of the year. But, labor markets and core inflation continue to signal strength, not weakness. The Fed is unlikely to take too many chances, so they are unlikely to respond to higher unemployment unless we get a string of negative job reports.

So, the conundrum to policymakers and investors. Has enough been done on the rate front to halt tightening and countenance easing? Or is the big Treasury rally a head fake, a knee jerk reaction to the banking turmoil and the need to price a higher probability of a crisis even though it is not likely to happen? The longer more problems do not emerge in the global banking sector, the more likely the rally in government bonds will pause if not reverse. Inflation data will continue to be key. If core inflation remains intransigent, the more likely a "hard landing" will occur to the benefit of government bonds and the detriment to credit markets, particularly lower rated bonds. Balancing these risks suggests to us that the Fed will hike rates 25 bps in May, but that will likely be the last rate hike of 2023. What happens after May remains to be seen.

While government bond markets look overbought for now, longer term it does appear recent events are likely to lead to a recession, lower yields and steeper yield curves. In this context, we are biased to buy higher yields: curves may be too steep in the short term due to expectations of too many rate cuts but will likely be steeper by year end, and credit markets will need to reflect weaker economic growth as central banks remain committed to bringing down inflation even at the cost of recession. But our baseline scenario remains one of modest economic weakness, with any significant credit spread widening a buying opportunity.

In terms of sectors, we remain most positive on the securitized credit market. We think the credit risk of residential and selective commercial mortgage-backed securities (MBS) like multi-family housing is attractive given the strong starting point for household and corporate balance sheets, and strong household income growth. Our favorite category of securitized credit remains non-agency residential mortgages, despite expectations that U.S. home prices will likely fall in 2023.

Recent events look to be negative for the U.S. dollar. U.S. growth is likely to be weaker medium term, the probability of a recession has increased, and whatever the Fed does it is not likely to help. If the Fed holds policy rates unchanged to combat inflation in the face of weaker data and/or banking sector stresses it is likely to be negative for the dollar. If the Fed cuts rates while inflation is still too high in response to economic weakness or financial stability concerns, it is likely to be negative for the U.S. dollar. We continue to like being underweight the dollar versus a basket of developed and emerging market currencies.

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	MONTHLY REVIEW	OUTLOOK
Developed Market Rate/ Foreign Currency	The March price action for developed market rates was staggering and historic. At the start of the month, hawkish language from Fed members including Chairman Powell saw yields continue their movement upwards; however, that was quickly reversed as the collapse of Silicon Valley Bank (SVB) unfolded. After spiking, rate volatility slowly declined from the highs but remained elevated throughout the month as the market digested news and tried to interpret the impact the banking situation will have. Beyond the banking story, key economic data was mixed, but a slightly stronger than expected CPI print showed that inflation was still sticky. In terms of central bank meetings, prior to the SVB collapse, the RBA raised rates 25 bps and the Bank of Canada paused. Following the banking situation, there was a shift to more dovish language, but central banks largely remained committed to hikes, with the ECB and Swiss National Bank hiking 50 bps, while the Fed, Norges Bank, and Bank of England raised rates 25 bps.[1]	The issues in the banking sector led to more volatility in markets and new uncertainties. At this point, it seems the market is adjusting for a shift in the tail risks, as scenarios where the Fed goes much higher (i.e. taking rates to 6%) seems much less likely, while a recession has become more likely. Unfortunately for the Fed, while the banking issues will likely be disinflationary, core inflation is still elevated and sticky. Given the uncertainty, it is difficult to concretely express an outright view on interest rates, and it may be wise to be patient for now, awaiting further clarification while taking advantage of more relative dislocations. In terms of foreign exchange, coming into this situation, we thought the U.S. dollar could weaken, which it has continued to do. We still believe that dollar weakness could continue.
Emerging Market Rate/ Foreign Currency	Emerging Markets broadly held up well, especially EM local assets, during the elevated volatility from the U.S. bank fallout. Many EM currencies strengthened during the period, particularly LatAm currencies. The EM rate rally was less volatile than U.S. rates, which created a good tailwind for EM local assets.[2]	We are cautiously optimistic on the asset class as peak inflation and hawkish policy are likely behind us. Emerging markets assets performed well during the heightened volatility in global markets during the month and local assets, in particular, remain attractive. Bottom-up country and credit analysis will remain crucial to identify pockets of opportunity.

[1] Source: Bloomberg. Data as of March 31, 2023.

[2] Source: Bloomberg. Data as of March 31, 2023. EM corporates represented by The **JP Morgan CEMBI Broad Diversified Index**.

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	MONTHLY REVIEW	OUTLOOK
Corporate Credit	Euro Investment Grade (IG) spreads underperformed U.S. IG spreads this month amidst elevated credit market volatility as banking sector concerns dominated both markets. Euro IG closed 22 bps wider at 170 bps while U.S. IG closed 14 bps wider at 138 bps. Despite authorities providing solutions that addressed the question of systemic risk, markets demanded a higher risk premium. More broadly markets focused on the risks of higher funding costs impacting profitability, liquidity risk following runs on deposits, the potential that lending standards would tighten impacting future growth, and inflation data continuing to drive terminal rate expectations. Towards month-end the market took confidence from no follow-on headlines suggesting the events were somewhat idiosyncratic resulting in equity and interest rate volatility falling supportive of tighter credit spreads.[3] Volatility in the U.S. and global high yield markets leapt higher in March following the bank turmoil. The supply/demand balance was erratic in March as the high yield primary market ground to a halt amid the spike in volatility as demand retreated and U.S. high yield retail funds experienced a net-outflow. The higher quality segments of the market generally outperformed in March, after lagging in the first two months of the year.[4] Global convertibles had mixed performance in March as markets reacted to weakness in the banking sector and the prospect of a looming recession.[5]	IG credit fundamentals can be summarised as "things are better in 2023 but far from good." Despite support for the IG credit market from numerous sources, multiple headwinds suggest IG credit warrants an above average risk premium. Recent banking news highlight the idiosyncratic risks in the market, central banks are still raising rates, inflation is likely to be sticky given the strength in the labour market, and corporate profitability will be pressured by higher input costs. Technical demand for IG credit has been a positive, we expect IG credit to benefit from demand for an attractively valued high-quality asset in an environment of increased uncertainty. Valuation levels suggest room for spread tightening as well as an attractive running yield. We remain cautious on the high yield market as we enter the second quarter of 2023. Episodic weakness accompanied by volatile spread movement seems to be the most likely path forward.
Securitized Products	Interest rates rallied as investors sought safe havens in U.S. Treasuries, and spreads in most fixed income credit sectors, including securitized credit, widened in March as part of this risk-off shift. New issue securitized supply remains very low as loan origination in both residential loans and commercial loans has declined substantially. We continue to believe that the fundamental credit conditions of residential housing loan markets remain sound, but also believe that higher risk premiums are warranted across all credit assets given projected economic weakness.[6]	U.S. home prices have fallen approximately 6% from their peak in June, and we expect them to fall another 5-10% for the remainder of 2023. Despite our expectations of home price declines, U.S. residential credit remains our favorite sector, with a strong preference for seasoned loans (originated in 2020 or earlier) due to the sizable home price appreciation over the past few years. We remain more cautious of commercial real estate, which continues to be negatively impacted in the post-pandemic world. This stress has been exacerbated by the weakness in regional banks as future lending may be more constrained. We pivoted meaningfully away from our European overweight to the U.S., as risk-adjusted opportunities looked more compelling in the U.S. As spreads have normalized and economic conditions have improved, we have become less concerned with European opportunities.

[3] Source: Bloomberg Indices: U.S. Corporate Index and the European Aggregate Corporate Index. Data as of March 31, 2023.

[4] Source: J.P. Morgan and Bloomberg US Corporate High Yield Index. Data as of March 31, 2023.

[5] Source: Bloomberg and Refinitiv Global Convertibles Focus Index. Data as of March 31, 2023.

[6] Source: Bloomberg. Data as of March 31, 2023.

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Risk Considerations

Diversification neither assures a profit nor guarantees against loss in a declining market.

There is no assurance that a portfolio will achieve its investment objective. Portfolios are subject to **market risk**, which is the possibility that the market values of securities owned by the portfolio will decline and that the value of portfolio shares may therefore be less than what you paid for them. Market values can change daily due to economic and other events (e.g. natural disasters, health crises, terrorism, conflicts and social unrest) that affect markets, countries, companies or governments. It is difficult to predict the timing, duration, and potential adverse effects (e.g. portfolio liquidity) of events. Accordingly, you can lose money investing in a portfolio. **Fixed-income securities** are subject to the ability of an issuer to make timely principal and interest payments (credit risk), changes in interest rates (interest rate risk), the creditworthiness of the issuer and general market liquidity (market risk). In a rising interest-rate environment, bond prices may fall and may result in periods of volatility and increased portfolio redemptions. In a declining interest-rate environment, the portfolio may generate less income. **Longer-term securities** may be more sensitive to interest rate changes. Certain **U.S. government securities** purchased by the strategy, such as those issued by Fannie Mae and Freddie Mac, are not backed by the full faith and credit of the U.S. It is possible that these issuers will not have the funds to meet their payment obligations in the future. **Public bank loans** are subject to liquidity risk and the credit risks of lower-rated securities. **High-yield securities (junk bonds)** are lower-rated securities that may have a higher degree of credit and liquidity risk. **Sovereign debt securities** are subject to default risk. **Mortgage- and asset-backed securities** are sensitive to early prepayment risk and a higher risk of default, and may be hard to value and difficult to sell (**liquidity risk**). They are also subject to credit, market and interest rate risks. The **currency market** is highly volatile. Prices in these markets are influenced by, among other things, changing supply and demand for a particular currency; trade; fiscal, money and domestic or foreign exchange control programs and policies; and changes in domestic and foreign interest rates. Investments in **foreign markets** entail special risks such as currency, political, economic and market risks. The risks of investing in **emerging market** countries are greater than the risks generally associated with foreign investments. **Derivative instruments** may disproportionately increase losses and have a significant impact on performance. They also may be subject to counterparty, liquidity, valuation, and correlation and market risks. **Restricted and illiquid securities** may be more difficult to sell and value than publicly traded securities (liquidity risk). Due to the possibility that prepayments will alter the cash flows on **collateralized mortgage obligations (CMOs),** it is not possible to determine in advance their final maturity date or average life. In addition, if the collateral securing the CMOs or any third-party guarantees are insufficient to make payments, the portfolio could sustain a loss.

DEFINITIONS

Basis point: One basis point = 0.01%.

INDEX DEFINITIONS

The indexes shown in this report are not meant to depict the performance of any specific investment, and the indexes shown do not include any expenses, fees or sales charges, which would lower performance. The indexes shown are unmanaged and should not be considered an investment. It is not possible to invest directly in an index.

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The **Bloomberg Euro Aggregate Corporate Index (Bloomberg Euro IG Corporate)** is an index designed to reflect the performance of the euro-denominated investment-grade corporate bond market.

The **Bloomberg Global Aggregate Corporate Index** is the corporate component of the Bloomberg Global Aggregate index, which provides a broad-based measure of the global investment-grade fixed income markets.

The **Bloomberg US Corporate High Yield Index** measures the market of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below. The index excludes emerging market debt.

The **Bloomberg US Corporate Index** is a broad-based benchmark that measures the investment grade, fixed-rate, taxable, corporate bond market.

The **Bloomberg US Mortgage Backed Securities (MBS) Index** tracks agency mortgage-backed pass-through securities (both fixed-rate and hybrid ARM) guaranteed by Ginnie Mae (GNMA), Fannie Mae (FNMA) and Freddie Mac (FHLMC). The index is constructed by grouping individual TBA-deliverable MBS pools into aggregates or generics based on program, coupon and vintage. Introduced in 1985, the GNMA, FHLMC and FNMA fixed-rate indexes for 30- and 15-year securities were backdated to January 1976, May 1977 and November 1982, respectively. In April 2007, agency hybrid adjustable-rate mortgage (ARM) pass-through securities were added to the index.

Consumer Price Index (CPI) is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care.

Euro vs. USD—Euro total return versus U.S. dollar.

German 10YR bonds—Germany Benchmark 10-Year Datastream Government Index; **Japan 10YR government bonds**—Japan Benchmark 10-Year Datastream Government Index; and **10YR US Treasury**—US Benchmark 10-Year Datastream Government Index.

The **ICE BofAML European Currency High-Yield Constrained Index (ICE BofAML Euro HY constrained)** is designed to track the performance of euro- and British pound sterling-denominated below investment-grade corporate debt publicly issued in the eurobond, sterling

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The **ICE BofAML US Mortgage-Backed Securities (ICE BofAML US Mortgage Master) Index** tracks the performance of US dollar-denominated, fixed-rate and hybrid residential mortgage pass-through securities publicly issued by US agencies in the US domestic market.

The **ICE BofAML US High Yield Master II Constrained Index (ICE BofAML US High Yield)** is a market value-weighted index of all domestic and Yankee high-yield bonds, including deferred-interest bonds and payment-in-kind securities. Its securities have maturities of one year or more and a credit rating lower than BBB-/Baa3, but are not in default.

The **ISM Manufacturing Index** is based on surveys of more than 300 manufacturing firms by the Institute of Supply Management. The ISM Manufacturing Index monitors employment, production inventories, new orders and supplier deliveries. A composite diffusion index is created that monitors conditions in national manufacturing based on the data from these surveys.

Italy 10-Year Government Bonds—Italy Benchmark 10-Year Datastream Government Index.

The **JP Morgan CEMBI Broad Diversified Index** is a global, liquid corporate emerging markets benchmark that tracks US-denominated corporate bonds issued by emerging markets entities.

The **JPMorgan Government Bond Index**—emerging markets (**JPM local EM debt**) tracks local currency bonds issued by emerging market governments. The index is positioned as the investable benchmark that includes only those countries that are accessible by most of the international investor base (excludes China and India as of September 2013).

The **JPMorgan Government Bond Index Emerging Markets (JPM External EM Debt)** tracks local currency bonds issued by emerging market governments. The index is positioned as the investable benchmark that includes only those countries that are accessible by most of the international investor base (excludes China and India as of September 2013).

The **JP Morgan Emerging Markets Bond Index Global (EMBI Global)** tracks total returns for traded external debt instruments in the emerging markets and is an expanded version of the EMBI+. As with the EMBI+, the EMBI Global includes US dollar-denominated Brady bonds, loans and eurobonds with an outstanding face value of at least $500 million.

The **JP Morgan GBI-EM Global Diversified Index** is a market-capitalization weighted, liquid global benchmark for US-dollar corporate emerging market bonds representing Asia, Latin America, Europe and the Middle East/Africa.

JPY vs. USD—Japanese yen total return versus US dollar.

The **Markit ITraxx Europe Index** comprises 125 equally weighted credit default swaps on investment grade European corporate entities, distributed among 4 sub-indices: Financials (Senior & Subordinated), Non-Financials and HiVol.

The **Nikkei 225 Index (Japan Nikkei 225)** is a price-weighted index of Japan's top 225 blue-chip companies on the Tokyo Stock Exchange.

The **MSCI AC Asia ex-Japan Index (MSCI Asia ex-Japan)** captures large- and mid-cap representation across two of three developed markets countries (excluding Japan) and eight emerging markets countries in Asia.

The **MSCI All Country World Index (ACWI, MSCI global equities)** is a free float-adjusted market capitalization weighted index designed to measure the equity market performance of developed and emerging markets. The term "free float" represents the portion of shares outstanding that are deemed to be available for purchase in the public equity markets by investors. The performance of the Index is listed in US dollars and assumes reinvestment of net dividends.

MSCI Emerging Markets Index (MSCI emerging equities) captures large- and mid-cap representation across 23 emerging markets (EM) countries.

The **MSCI World Index (MSCI developed equities)** captures large and mid-cap representation across 23 developed market (DM) countries.

Purchasing Managers Index (PMI) is an indicator of the economic health of the manufacturing sector.

The **Refinitiv Convertible Global Focus USD Hedged Index** is a market weighted index with a minimum size for inclusion of $500 million (US), 200 million (Europe), 22 billion Yen, and $275 million (Other) of Convertible Bonds with an Equity Link.

The **Russell 2000® Index** is an index that measures the performance of the 2,000 smallest companies in the Russell 3000 Index.

The **S&P 500® Index (US S&P 500)** measures the performance of the large-cap segment of the US equities market, covering approximately 75 percent of the US equities market. The index includes 500 leading companies in leading industries of the U.S. economy.

S&P CoreLogic Case-Shiller US National Home Price NSA Index seeks to measure the value of residential real estate in 20 major US metropolitan areas: Atlanta, Boston, Charlotte, Chicago, Cleveland, Dallas, Denver, Detroit, Las Vegas, Los Angeles, Miami, Minneapolis, New York, Phoenix, Portland, San Diego, San Francisco, Seattle, Tampa and Washington, D.C.

The **S&P/LSTA US Leveraged Loan 100 Index (S&P/LSTA Leveraged Loan Index)** is designed to reflect the performance of the largest facilities in the leveraged loan market.

The **S&P GSCI Copper Index (Copper)**, a sub-index of the S&P GSCI, provides investors with a reliable and publicly available benchmark for investment performance in the copper commodity market.

The **S&P GSCI Softs (GSCI soft commodities) Index** is a sub-index of the S&P GSCI that measures the performance of only the soft commodities, weighted on a world production basis. In 2012, the S&P GSCI Softs Index included the following commodities: coffee, sugar, cocoa and cotton.

Spain 10-Year Government Bonds—Spain Benchmark 10-Year Datastream Government Index.

The **Thomson Reuters Convertible Global Focus USD Hedged Index** is a market weighted index with a minimum size for inclusion of $500 million (US), 200 million euro (Europe), 22 billion yen, and $275 million (Other) of convertible bonds with an equity link.

U.K. 10YR government bonds—U.K. Benchmark 10-Year Datastream Government Index. For the following Datastream government bond indexes, benchmark indexes are based on single bonds. The bond chosen for each series is the most representative bond available for the given maturity band at each point in time. Benchmarks are selected according to the accepted conventions within each market. Generally, the benchmark bond is the latest issue within the given maturity band; consideration is also given to yield, liquidity, issue size and coupon.

The **US Dollar Index (DXY)** is an index of the value of the United States dollar relative to a basket of foreign currencies, often referred to as a basket of US trade partners' currencies.

The **Chicago Board Options Exchange (CBOE) Market Volatility (VIX) Index** shows the market's expectation of 30-day volatility.

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A separately managed account may not be appropriate for all investors. Separate accounts managed according to the particular strategy may include securities that may not necessarily track the performance of a particular index. Please consider the investment objectives, risks and fees of the Strategy carefully before investing A minimum asset level is required. For important information about the investment managers, please refer to Form ADV Part 2.

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