Morgan Stanley

INVESTMENT MANAGEMENT

Global Fixed Income Bulletin

Underpromise and Overdeliver

BROAD MARKETS FIXED INCOME TEAM | MACRO INSIGHT | JUNE 2023

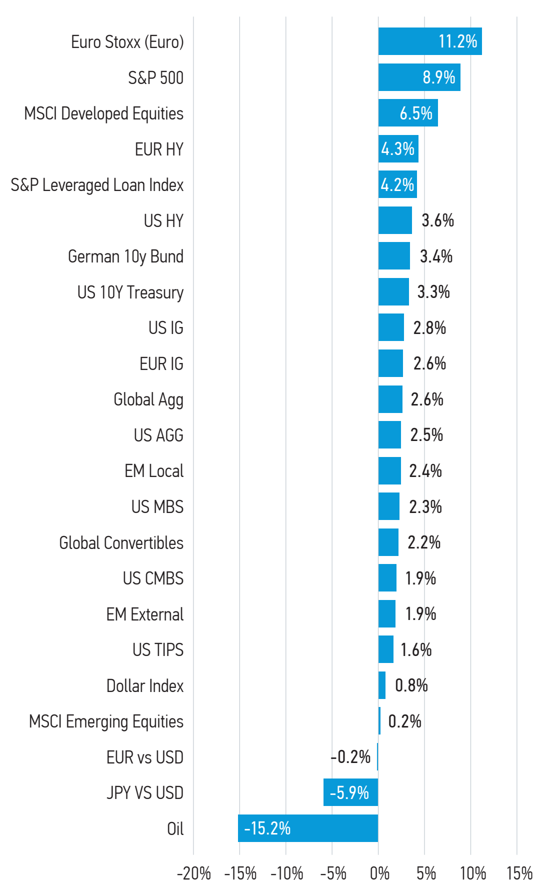
Expectations for the month of May were set low for the U.S. economy, but even with all the volatility during the month, the U.S. economy appeared to come out stronger. As the banking turmoil from March entered the rearview mirror, all eyes turned to the U.S. debt ceiling. Once a deal became imminent, that uncertainty subsided and all eyes turned back to the economic data. The U.S. did not disappoint, further pushing off to the future recession and Fed rate cuts.

Coming into May, the scene was set for a weakening U.S. economy relative to the Euro-area and China, but economic and labour market data came in stronger than expected. Employment data surprised to the upside for the 13th month in a row (only to be surpassed with data released in early June). Other labour market data prints, including JOLTS,[1] ADP and initial jobless claims, were also on the stronger side. In Europe, the markets were confronted with downside surprises in both headline and core inflation and slowing growth expectations. In China, data also came in weaker than expected, disappointing China bulls, with May PMIs confirming the economy's weakness and the economy showing a continued drag from the property sector.

Developed market central banks continued to raise policy rates to fight recalcitrant inflation. This drove global yields materially higher, with the 10-year U.S. Treasury up 22 basis points (bps), and credit spreads wider. Stronger U.S. data, a somewhat hawkish Fed and lower than expected eurozone inflation supported U.S. dollar strength, reversing

DISPLAY 1

Asset Performance Year-to-Date



Note: USD-based performance. Source: Bloomberg. Data as of May 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 6-7 for index definitions.

[1] Job Openings and Labor Turnover Survey (U.S. Bureau of Labor Statistics)

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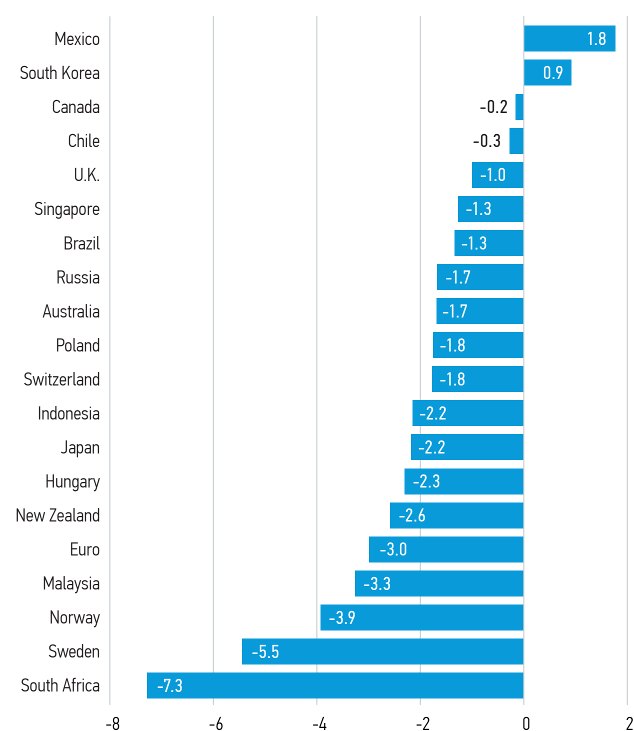
course from the first quarter. Credit markets are still worried about tighter lending conditions due to the U.S. regional banking problems, with the Fed's senior loan survey showing recession-like conditions. By the end of the month, however, sentiment did improve, tightening spreads from their intra-month wides. The U.S. agency mortgage market continued to experience wider spreads as the spectre of bank and Fed selling hurt confidence. The stronger U.S. economy and more hawkish Fed also negatively impacted Emerging Market Debt (EMD) as the U.S. dollar outperformed most EM currencies.

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 May 31, 2023.

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	3.64	+22		
United Kingdom	4.18	+46	54	+24
Germany	2.28	-3	-136	-25
Japan	0.44	+4	-321	-18
Australia	3.61	+27	-4	+5
Canada	3.19	+35	-46	+13
New Zealand	4.29	+20	64	-3
EUROPE			(Spread over Bunds)	
France	2.85	-4	57	-1
Greece	3.78	-41	150	-38
Italy	4.08	-10	180	-6
Portugal	3.02	-11	74	-8
Spain	3.33	-3	105	0
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	11.57	-78	792	-100
Colombia	11.17	-69	753	-91
Hungary	7.92	+17	428	-5
Indonesia	6.36	-15	272	-37
Malaysia	3.71	0	7	-22
Mexico	8.80	+2	515	-20
Peru	7.22	-26	358	-48
Poland	6.02	+14	238	-9
South Africa	12.43	+105	878	+83
CREDIT			**SPREAD (BPS)**	**MTD CHANGE (BPS)**
U.S. IG			138	+2
EUR IG			171	+9
U.S. HY			459	+7
EUR HY			485	-4
SECURITIZED				
Agency MBS			177	+8
U.S. BBB CMBS			721	+23

Positive Neutral Negative

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

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Fixed Income Outlook

Bringing down inflation remains the name of the policy game, but it is clear the end is near for the rate hiking cycle. Economic data has slowed in the Eurozone, suggesting that the tightening has been effective at slowing the economy and inflation has begun to slow meaningfully, albeit from very high levels that remain above that in the U.S. However, inflation is not falling fast enough, nor are labour markets and wages showing signs of moderating. No developed market central bank is predicting its next move will be a rate cut. In fact, in early June, the central banks of Australia and Canada surprised markets and analysts by raising rates somewhat unexpectedly, providing evidence that a "pause" in rate hikes does not mean the hiking cycle is over. Although headline inflation has fallen significantly and continues to fall, core inflation numbers remain high in the Eurozone and elsewhere with wage acceleration still an issue. We plan to maintain a relative duration underweight in the Eurozone as we expect the European Central Bank (ECB) to be relatively more hawkish than other DM central banks. In the U.S., the issue for markets is that inflation is not coming down fast enough to stop the central bank from continuing to raise rates. A still resilient service sector is offsetting weakness in manufacturing/industrial activity. An unusual combination by business cycle standards, but then this business cycle is like no other.

Rate cuts have been priced out of the U.S. market for 2023. While a pause in June may still be in play, it is uncertain whether or not the U.S. will need to continue to raise rates at both the June and July meetings. Even the most ardent hawks on the Federal Open Market Committee (FOMC) concede that policy is not in restrictive territory. The question is how restrictive and how long does the Fed want to take to get inflation to target. We do not expect a dovish outcome; neutral maybe, even hawkish, if they raise the dot plot. The Fed's renewed hawkishness in recent months and surprisingly strong data has further strengthened the U.S. dollar. We do not think this is generally sustainable and recommend an underweight stance.

The resolution of the U.S. debt ceiling crisis and solid employment and household consumption data is likely to keep the U.S. out of recession this year. The absence of a trigger for household and corporate spending retrenchment suggests the economy will do fine over the summer (as will most developed market economies) and is positive for risk assets. Our strategy remains one of taking risk where opportunities suggest adequate yield to compensate for unexpected volatility or surprising bad news, whether geopolitical, economic or policy induced. Medium term risks of an economic slowdown remain, with the impact of tighter lending conditions, tight monetary policy and a slowing labour market picture still to be fully felt by consumers and corporates. We envision a moderate recession in 2024 with no dramatic rise in defaults or risk premium—maybe a semi-soft landing?

We believe corporate bonds should be able to earn their yields through the third quarter. Issuance is likely to remain elevated in June, with corporates looking to take advantage of demand for investment grade credit with front-loaded supply acting as a headwind for spread tightening. Given the broader economic headwinds, but still positive momentum, we see carry rather than capital appreciation as the likely driver of investment grade corporate returns in the second half of 2023.

With yields expected to rise, we will look to increase interest rate risk in portfolios on further setbacks in Treasury yields. Economies are growing slowly and inflation is falling, both good for bonds. Additionally, we continue to look for ways to intelligently upgrade credit quality, minimizing give-ups in expected returns. We think credit markets look modestly undervalued but, in the investment grade space, this value comes predominantly from bonds issued by financial institutions. Spreads are above average but not materially so, making credit a carry game with limited opportunities for near-term spread compression. Given that we expect an economic slowdown but no meaningful recession this year, shorter-dated high yield bonds look attractive and, if chosen carefully, can generate an attractive return.

Securitized credit continues to look like the most attractive sector. We think the credit risk of residential and selective commercial mortgage-backed securities (CMBS) 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 continue to be negative for the U.S. dollar. We continue to like being underweight the U.S. dollar, over the longer term, versus a basket of developed and emerging market currencies. We also continue to like emerging market local government bonds versus hard currency debt and versus developed market government bonds.

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	MONTHLY REVIEW	OUTLOOK
Developed Market Rate/ Foreign Currency	Developed market rates were broadly higher in May, with the 10-year U.S. Treasury yield up 22 bps, 10-year gilts up 42 bps, and Australian 10-year bond yields up 27 bps. Bunds outperformed, down 3 bps on the month following weaker than expected economic and inflation data in Europe. Overall, much of the data depicted economic resilience and sustained inflationary pressure as shown for example in the U.S., Australia, and especially the UK. The well anticipated Senior Loan Officer Opinion Survey showed that credit conditions had tightened, but perhaps not as severely as the market was expecting. The Fed, ECB, BoE, and Norges bank all opted to hike rates by 25 bps, as expected by markets. The Antipodean central banks decisions were more surprising to markets, with the RBA hiking 25 bps after pausing the month before. In contrast, the Reserve Bank of New Zealand slightly surprised markets by only hiking 25 bps (as opposed to a potential 50 bps), while keeping the policy path the same versus expectations for a more hawkish policy path.[2]	Now that the acute issues related to the banking sector seem to have settled down and the debt ceiling has been resolved, the market has shifted to focusing on interpreting new economic data. Additionally, in the U.S., the market is now assessing the implications of the Treasury General Account (TGA) rebuild following the debt ceiling resolution. While the banking sector crisis has calmed, credit conditions are still tight and may tighten even further, putting increased pressure on borrowers. With that said, despite the tighter credit conditions and expectations for a slowdown, hard economic data has yet to deteriorate significantly, and the market is again starting to price in higher terminal rates and price out cuts. We recommend patience, awaiting further clarification while taking advantage of more relative dislocations. In terms of foreign exchange, with a more resilient U.S. economy and more confidence in the U.S. banking system, the U.S. dollar strengthened during May. We expect the U.S. dollar to continue weakening and have tactically made adjustments where attractive.
Emerging Market Rate/ Foreign Currency	May performance was negative for Emerging Markets Debt. EM currencies generally weakened but some bright spots were Colombia, Mexico, and Peru, which strengthened. The Turkish lira fell to a new low following the news of President Erdogan's re-election. Corporate spreads widened while sovereign spreads marginally compressed month over month. Year-to-date flows dipped into outflow territory. May's flows were negative due to hard currency outflows, however, local fund flows were positive.[3]	We remain constructive on the asset class. We expect the U.S. Fed is nearing a pause in its tightening cycle which may relieve pressure on the U.S. dollar strength. This could put some emerging markets central banks in a position to ease policy. Some Latin American central banks have already started to cut rates including Costa Rica, Uruguay and most recently the Dominican Republic, cutting rates by 50 bps on the last day of the month. Growth, inflation, and policy vary considerably among emerging markets countries and credits so bottom-up analysis is crucial to uncover value.

[2] Source: Bloomberg. Data as of May 31, 2023.

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

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	MONTHLY REVIEW	OUTLOOK
Corporate Credit	U.S. investment grade spreads outperformed Euro investment grade spreads this month amidst elevated credit market volatility, driven by several factors. Firstly, concerns over the U.S. debt ceiling negotiation were key for most of the month, though it resolved within a few weeks. Secondly, U.S. regional banking volatility remains elevated despite sentiment improving over the month as First Republic was taken over by JPM. Economic data continued to weaken over the month globally, particularly in manufacturing. Additionally inflation data remained sticky to the upside. Finally equity and commodity markets were weaker, excluding the Technology sector that benefitted from the focus on the multiple uses of AI.[4] U.S. and global high yield markets were weaker in May, with the weakness generally attributable to higher rates versus emerging credit concerns. The technical conditions in high yield continued to improve in May amid reduced volatility. Monthly issuance once again increased month over month. The lower quality segments of the market generally outperformed in May, after also outperforming in April.[5] Global convertibles managed to eke out a small positive return in May despite a pullback in both equity and credit markets. MSCI global equities fell 1.32%, the Bloomberg Global Aggregate Credit index declined 1.86%, and the Refinitiv Global Convertibles Focus Index rose 0.24%. Stocks and credit floundered on recessionary concerns, but convertibles performance was boosted from technology. Issuance also had a boost with $7.9 bn in new supply, coming mostly in the U.S. and providing the second-best month of 2023 for supply.[6]	Looking forward, our base case is a mild economic slowdown. The magnitude and impact on downgrades and defaults is likely to be low, as a combination of strong employment and conservative corporate management supports credit markets. Finally, the demand for high quality fixed income remains robust as evidenced by strong supply being matched. We remain cautious on the high yield market as we progress through the second quarter of 2023. Episodic weakness accompanied by volatile spread movement seems to be the most likely path forward. Convertibles continue to look appealing due to cheap valuations and sub-par prices in many names.
Securitized Products	Securitized yields remain at historically wide levels. We believe these wider spreads offer more than sufficient compensation for market risks. Fundamental credit conditions remain stable despite recession risks. Although delinquencies across many asset classes are increasing slowly, overall delinquencies remain low from a historical perspective. We believe delinquency and default levels will remain non-threatening to the large majority of securitized securities. Our European securitized holdings were essentially flat in May, but we have meaningfully reduced our European securitized exposure over the past year.[7]	We continue to believe that the fundamental credit conditions of residential mortgage markets remain sound, but also believe that higher risk premiums are warranted across all credit assets given projected economic weakness. Our favorite sector remains residential mortgage credit, despite our expectation that U.S. home prices will likely fall another 5-10% in 2023. We have 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, especially office, which continues to be negatively impacted in the post-pandemic world.

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

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

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

[7] Source: Bloomberg. Data as of May 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.

There is no guarantee that any investment strategy will work under all market conditions, and each investor should evaluate their ability to invest for the long-term, especially during periods of downturn in the market.

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