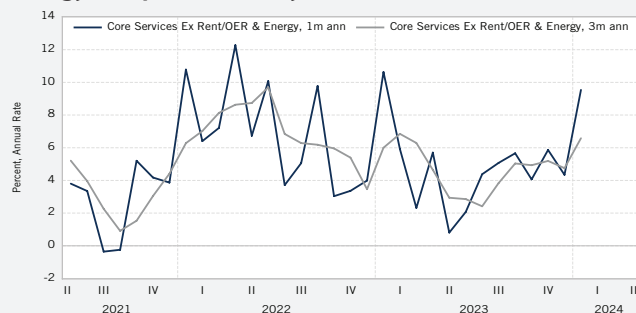


MACRO VIEWS

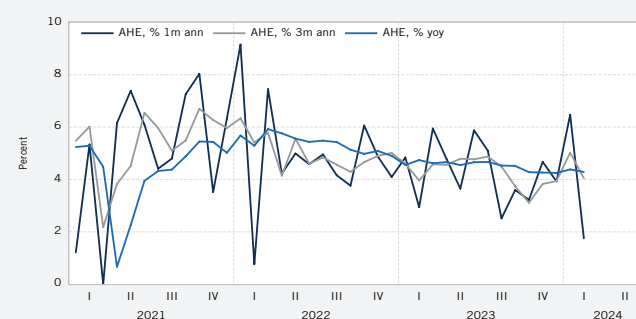
- Inflation reversed some of its recent progress in January with a higher CPI reading. That higher reading was driven by services outside of housing spiking higher: January saw them increase at a near ~10% annual rate, substantially higher than the 5% pace they had been bumping along for most of 2H23. That might have been due to prices resetting higher in January, but still is a substantial concern and raises the focus on February's CPI even higher.
- Not all the inflation news was negative. Average hourly earnings (AHE) moved higher in January, but February's reading was much more restrained and moved the 3m moving average back to ~4%. The move back down in AHE could also imply a more restrained increase in the CPI, especially the services breakdown referenced above.
- Incoming data on economic growth has also moderated a bit. That shows up in Citi's economic surprise index, which has dipped down by about 25 points over the back half of February. We are currently tracking growth for 1Q at 2¼%, about 1 percentage point (pp) below 4Q. It's certainly not a massive move toward weakness, but it's very helpful in relieving some pressure and concerns about a "too strong" economy.
- Consistent with slower growth and gradually loosening labor markets, unemployment rose by 0.2 pp to 3.9% in February. There is plenty of monthly noise, so we prefer to look at a 3m moving average as shown in Exhibit 4. Both the usual unemployment rate and the broader u6 rate have slowly drifted. Neither level looks concerning, but the ongoing drift higher is very much worth monitoring.

Exhibit 1: Inflation, Including Core Services ex Shelter and Energy, Jumped in January



As of March 11, 2024. Source: Bureau of Labor Statistics and author's calculations.

Exhibit 2: AHE Drop Back to ~4% on a 3-Month Annualized Basis



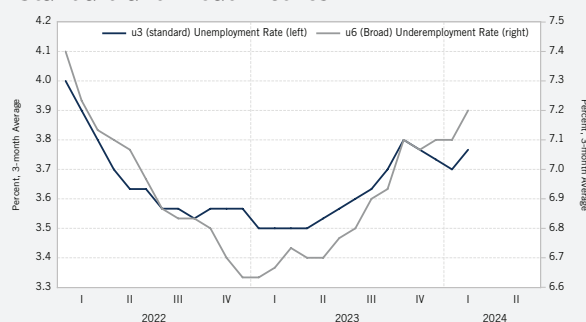
As of March 11, 2024. Source: Bureau of Labor Statistics and Haver Analytics.

Exhibit 3: Economic Surprises Have Tailed Off Since Mid-February



As of March 11, 2024. Source: Citibank and Bloomberg.

Exhibit 4: Unemployment Drifting Higher, On Both Standard and Broad Metrics



As of March 11, 2024. Source: Bureau of Labor Statistics, Haver Analytics and author's calculations.

SECTOR UPDATES

Securitized Debt

- The securitized market was again very active in February. In particular, the asset-backed securities (ABS) market has seen 57% more issuance compared to the same time last year.
- The market has a consensus view of a soft landing. This has helped propel the ABS and residential mortgage-backed securities markets to tighter spreads as strong demand easily absorbed the increased issuance.
- February underperformance for agency mortgage-backed securities came as little surprise given limited bank demand and tempered expectations for Federal Reserve (Fed) rate cuts in 2024.

Securitized Returns and Spreads

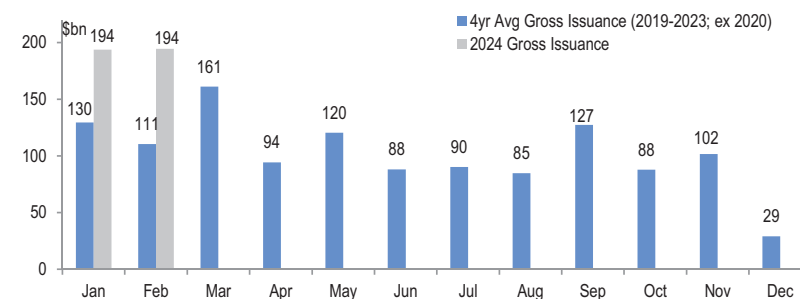
	Total Return – MTD through 2/29/2024	Spreads – 2/29/2024
Asset-Backed Securities	-0.28%	55 basis points (bps)
Commercial Mortgage-Backed Securities	-0.77%	105 bps
Mortgage-Backed Securities	-1.63%	156 bps

Source: Bloomberg U.S. Aggregate Bond Index. Data as of February 29, 2024.

Investment Grade Corporates

- A record start for supply finally overwhelmed healthy market demand in the latter stages of February, causing spreads to back off their local tights. The market still feels quite healthy, with attractive yields, flows at their highest in three years, and another successful earnings season in the rearview. However, until this supply wave crests, it will be hard for the market to retest those tights.

Combined January and February Supply Is A New Record



Source: J.P. Morgan. Data as of February 29, 2024.

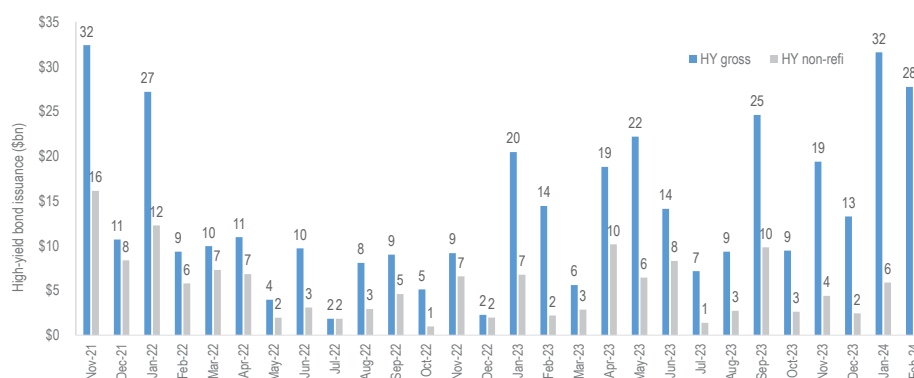
Municipal Bonds

- Lipper reported weekly municipal fund inflows of \$73 million for the period ending February 28. Open-end mutual funds had outflows of \$277 million, while ETFs saw inflows of \$350 million. Year-to-date, all term muni fund flows are positive \$4.6 billion, on open-end fund inflows of \$5.4 billion and ETF outflows of \$800 million.
- The Bloomberg Municipal Index posted a total return of 0.13% for February. The high yield municipal index generated a monthly return of 0.79%.
- Year-to-date (through 3/5/24), municipals returned -0.32% while high yield munis returned 0.48%. February's total new issuance was at \$32 billion.

High Yield Corporate Bonds

- The U.S. high yield market gained 0.29% in February, and spreads tightened to 312 bps, a low not seen since January 2022 as economic growth surprised to the upside. The favorable risk environment contributed to the outperformance of lower-quality issues as CCC, B, and BB-rated credits returned 1.70%, 0.23%, and 0.18%, respectively. Market technicals remained strong in February, with inflows for the month at \$905 million amid minimal new supply. Credit quality improved from prior months, with more issuers upgraded than downgraded. February also saw high yield's trailing 12-month par value default rate decline 24 bps to 2.53%. For more on high yield bonds, read [Newfleet's High Yield Market Update](#).

February Contained the Heaviest Refinancing Activity Since May 2021

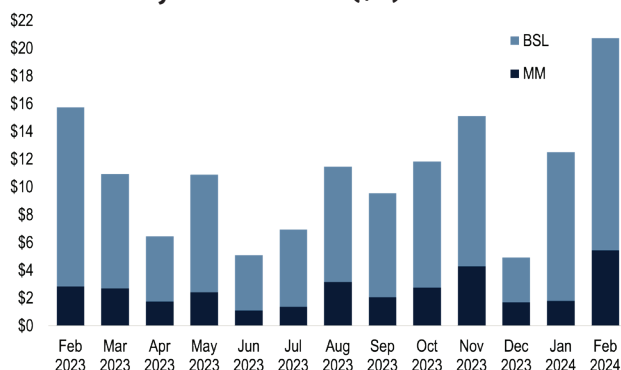


Source: J.P. Morgan. Data as of February 29, 2024.

Bank Loans

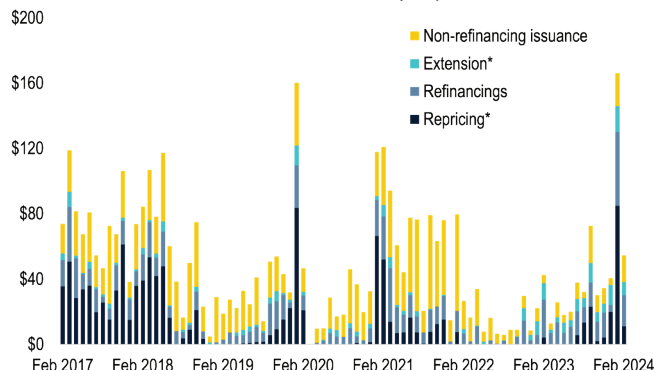
- February posted a total return of 0.91% consisting predominately of income. Performance drivers included the increasing likelihood of a rate cut delay, which may result in a higher base rate for longer, and strong loan demand in the absence of primary supply, which spurred investors to turn to the secondary market and bid up prices. Loans are now at the highest market price since May 2022. While valuations may appear historically rich, the yield advantage and a potential delay in rate cuts make loans relatively attractive. Even in a mild recession, the starting yield-to-maturity of 9.9% provides a cushion against volatility. For more on bank loans, read [Newfleet's Bank Loan Market Update](#).

U.S. Monthly CLO Issuance (\$B)



Source: Pitchbook LCD. Data through February 29, 2024.

U.S. Institutional Loan Volume (\$B)



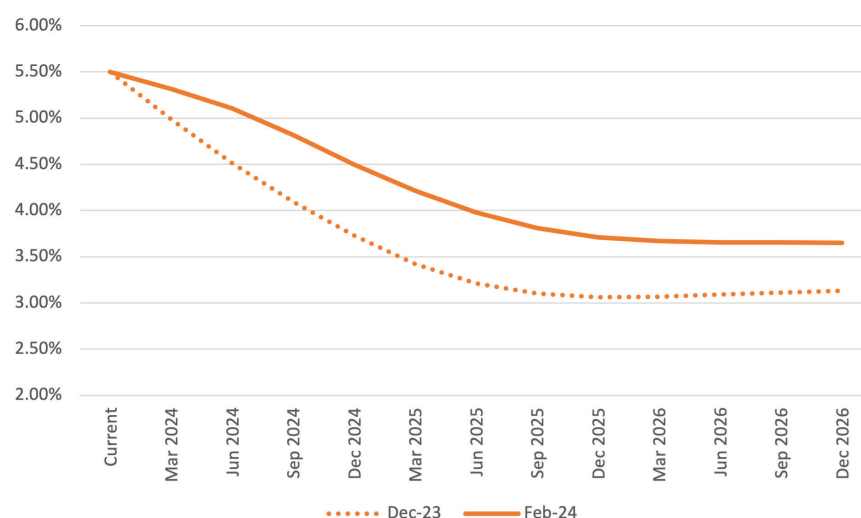
Sources: Pitchbook LCD. Data through February 29, 2024.

*Reflects repricings and extensions done via an amendment process only.

Developed Markets

- Communication from both the Fed and the European Central Bank (ECB) continue to suggest that rate cuts will start later than, and be of a scale less than, priced by the market. Over the course of the month, markets continued to adjust to this guidance. As of the end of the month, the markets priced the Fed to cut rates by 85 bps through the course of 2024, the ECB by 91 bps, and the Bank of England by 63 bps.
- Government bond yields rose sharply over the course of February. 10-year U.S. Treasuries ended the month at 4.25% versus 3.91% for the previous month's end. 10-year German bunds ended the month approximately 24 bps higher at 2.41% and UK gilts ended the month approximately 33 bps higher at 4.12%.
- This month's chart highlights the extent to which expectations for Fed policy have shifted. The pricing of the change in Fed Funds between now and December is where it was in late October when U.S. Treasury yields peaked. Growth has been more robust than expected, so this is perhaps justified. The question now is what happens if we get some modest slowdown or softening of inflation. Could rate cut expectations increase as they did through November and December?

Projected Fed Funds Rate



Source: Bloomberg LP; Newfleet Asset Management. Data through February 29, 2024.

Emerging Markets Debt

- EM bonds returned 0.69% for the month, with EM investment grade (-0.56%) underperforming EM high yield (2.48%). Local markets were the worst-performing sub-sector and returned -0.57%. Spreads on the index tightened to 308 bps, approaching tightness seen last in 2021.
- The corporate market had a +0.67% return for the month. The Fed's U.S. rates policy remains topical, with the central bank's path and rate of easing driving global credit markets.
- A supportive environment remains for EM debt with continued funding coming from bi- and multi-lateral lenders to countries with stretched fiscal and external balances. Although spreads continue to grind tighter, we remain favorable on overall EM value relative to improving EM fundamentals.

SECTOR ALLOCATION AND STRATEGY

- Increased allocation to emerging markets across multi-sector strategies.
- Funded emerging markets allocation primarily with U.S. Treasuries and cash.
- No meaningful active changes to duration.

	Securitized				Municipals		Credit			Non-U.S.		
	ABS	MBS	RMBS	CMBS	TAX-EX	TAXABLE	IG CORP	HY CORP	BANK LOANS	EM HY	YANKEE GOV	NON USD
Fundamentals	Positive	Neutral	Neutral	Cautious	Neutral	Neutral	Positive	Neutral	Cautious	Neutral	Neutral	Neutral
Technicals	Neutral	Neutral	Positive	Positive	Neutral	Positive	Positive	Positive	Positive	Neutral	Positive	Neutral
Valuations	Positive	Neutral	Neutral	Neutral	Cautious	Cautious	Cautious	Cautious	Neutral	Neutral	Neutral	Neutral

Newfleet's assessments of non-government spread sectors as of February 29, 2024. Assessments are determined by analyzing a sector's fundamental data, technical indicators, and relative valuations. Sectors (l to r): **Credit:** Investment Grade (IG) Corporate Bonds, High Yield (HY) Corporate Bonds, Bank Loans. **Securitized Product:** Asset-Backed Securities (ABS), Agency Mortgage-Backed Securities (MBS), Non-Agency Residential MBS (RMBS), Non-Agency Commercial MBS (CMBS). **Non-U.S.:** Emerging Markets HY, Yankee Government, Non-U.S. Dollar. **Municipals:** Tax-Exempt, Taxable.

CREDIT MARKET INDEXES

Index Name	Performance (%)				Analytics				
	MTD	QTD	YTD	12M	OAS (BPS)	YTW %	YTM %	Eff. Duration (YRS)	Spread Dur (YRS)
Bloomberg U.S. Aggregate Index	-1.41	-1.68	-1.68	3.33	41	4.92	4.92	6.22	6.10
Bloomberg U.S. Aggregate Corporate Index	-1.50	-1.67	-1.67	5.97	96	5.41	5.42	6.93	6.98
Bloomberg U.S. HY 2% Issuer Capped Index	0.29	0.29	0.29	11.01	316	7.90	8.02	3.21	3.26
Bloomberg U.S. Intermediate Aggregate Index	-1.19	-1.19	-1.19	3.69	37	4.89	4.89	4.54	4.42
Bloomberg U.S. Securitized Index	-1.56	-1.93	-1.93	2.46	54	5.14	5.14	6.02	5.58
Credit Suisse Leveraged Loan Index	0.89	1.68	1.68	11.37	553	9.45	9.45	-0.04	2.54
ICE BofA 1-3Y BB U.S. Cash Pay High Yield Index	0.32	0.63	0.63	7.86	148	6.41	6.52	1.52	1.66
ICE BofA U.S. Corporate & Government 1-5 Year Index	-0.64	-0.24	-0.24	4.62	23	4.80	4.80	2.57	2.61
ICE BofA 3 Mo Libor	0.41	0.88	0.88	5.31	-	5.34	5.34	-	-
JPM CEMBI B D	0.71	1.31	1.31	8.99	250	7.07	7.12	4.08	4.19
JPM EMBI G	0.69	-0.50	-0.50	8.99	238	6.74	6.75	6.70	6.70
JPM EMBI G D	0.98	-0.05	-0.05	10.05	256	6.86	6.87	6.50	6.50
JPM GBI EM G D	-0.57	-2.09	-2.09	9.26	-	6.45	6.45	5.12	5.04

Data as of February 29, 2024. Source: Bloomberg, Newfleet Asset Management. For illustrative purposes only. See disclosures at end of material for additional information.

Authored by:

Newfleet Asset Management

Newfleet leverages the knowledge and skill of a team of investment professionals with expertise in every sector of the bond market, including evolving, specialized, and out-of-favor sectors. The team employs active sector rotation and disciplined risk management to portfolio construction.

Bonds may offer a relatively stable level of income, although bond prices will fluctuate providing the potential for principal gain or loss. Intermediate-term, higher-quality bonds generally offer less risk than longer-term bonds and a lower rate of return. Generally, a portfolio's fixed income securities will decrease in value if interest rates rise and vice versa.

Bank loans may be unsecured or not fully collateralized, may be subject to restrictions on resale, may be less liquid, and may trade infrequently on the secondary market. Bank loans settle on a delayed basis; thus, sale proceeds may not be available to meet redemptions for a substantial period of time after the sale of the loan.

Emerging markets securities may be more volatile, or more greatly affected by negative conditions, than those of their counterparts in more established foreign markets. Such securities may also be subject to Sanctions Risk.

Bloomberg U.S. Aggregate Bond Index measures the U.S. investment grade fixed rate bond market. **Bloomberg Municipal Bond Index** is a market capitalization-weighted index that measures the long-term tax-exempt bond market. **Bloomberg U.S. Intermediate Aggregate Bond Index** measures securities in the intermediate maturity range of the U.S. investment grade fixed rate bond market. **Bloomberg U.S. Securitized Index** is a subset of the Bloomberg U.S. and includes mortgage-backed-securities (MBS), asset-backed securities (ABS), commercial mortgage-backed securities (CMBS) and covered assets. **Bloomberg U.S. Aggregate Corporate Index** is a broad-based benchmark that tracks the investment-grade, U.S. dollar-denominated, fixed-rate, taxable corporate bond market. The **CBOE Volatility Index**, known by its ticker symbol VIX, is a popular measure of the stock market's expectation of volatility implied by S&P 500 index options. **ICE BofA 1-5 Year U.S. Corporate & Government Index** tracks the performance of U.S. dollar-denominated investment grade debt publicly issued in the U.S. domestic market, including U.S. Treasury, U.S. agency, foreign government, supranational and corporate securities. **J.P. Morgan GBI-EMGD** tracks total returns for local currency debt instruments issued by emerging markets sovereign and quasisovereign entities to which international investors can gain exposure. **J.P. Morgan CEMBI Index** tracks U.S. dollar-denominated debt issued by emerging market corporations. **J.P. Morgan EMBI Global Index** tracks the total return for the U.S. dollar-denominated emerging markets debt, including Brady bonds, Eurobonds, and loans. **The U.S. 3-Month LIBOR Index** represents the performance of the 3 Month London Interbank Offered Rate (LIBOR) Fixing for U.S. Dollar. The rate is an average derived from the quotations provided by the banks determined by the Intercontinental Exchange (ICE) Benchmark Administration. USD LIBOR is calculated on an ACT/360 basis. **The Credit Suisse Leveraged Loan Index** is a market-weighted index that tracks the investable universe of the U.S. dollar denominated leveraged loans. **The Bloomberg U.S. High-Yield 2% Issuer Capped Bond Index** is a market capitalization-weighted index that measures fixed rate non-investment grade debt securities of U.S. and non-U.S. corporations. No single issuer accounts for more than 2% of market cap. **The ICE BofA US Cash Pay High Yield Index** tracks the performance of U.S. dollar-denominated below investment grade corporate debt, currently in a coupon paying period, that is publicly issued in the U.S. domestic market. **The ICE BofA 1-3 Year BB US Cash Pay High Yield Index** is a subset of the ICE BofA US Cash Pay High Yield Index including all securities with a remaining term to final maturity less than 3 years and rated BB1 through BB3, inclusive. **The Bloomberg 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 indexes are calculated on a total return basis. The indexes are unmanaged, returns do not reflect any fees, expenses, or sales charges, and are not available for direct investment. The commentary is the opinion of Newfleet Asset Management. This material has been prepared using sources of information generally believed to be reliable; however, its accuracy is not guaranteed. Opinions represented are subject to change and should not be considered investment advice or an offer of securities. .

Investing is subject to risk, including the risk of possible loss of principal. Past performance is no guarantee of future results.