



Thank you for joining Western Asset's *The Year in Review* webcast featuring Deputy CIO Michael Buchanan in conversation with Product Specialist Robert Abad.



Robert Abad

*The presentation will begin shortly.*



Michael Buchanan

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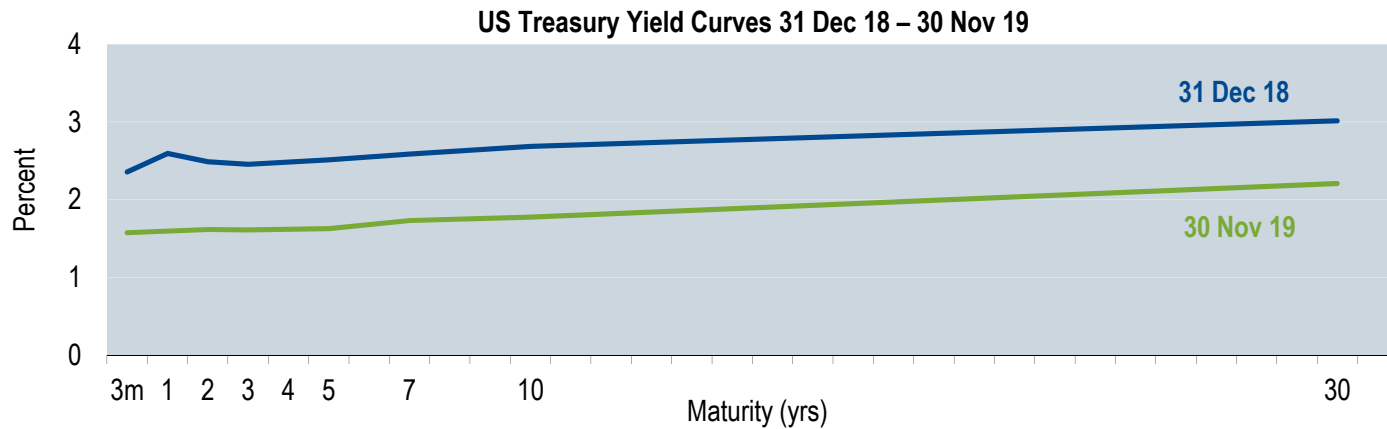
# The Year in Review

December 12, 2019

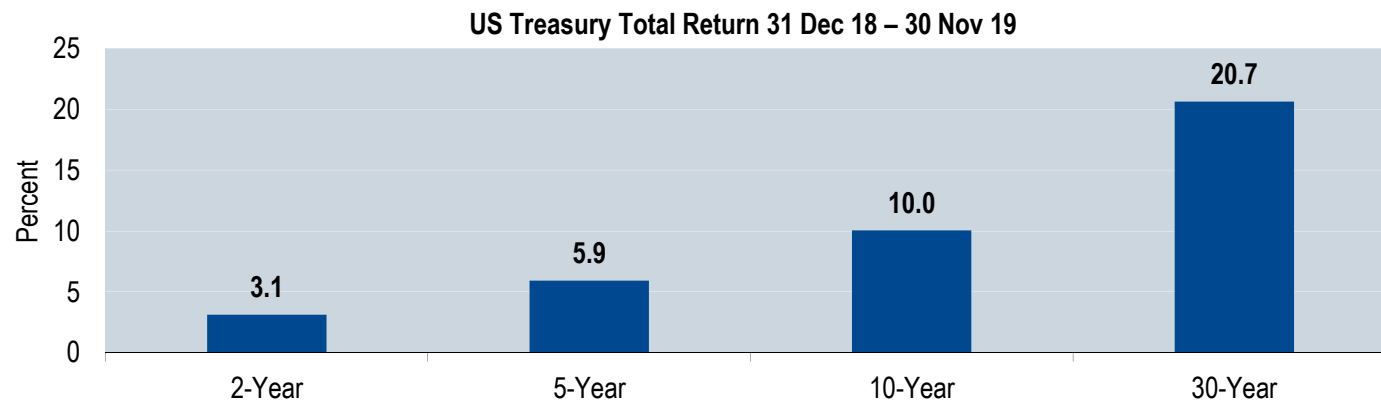
**Michael Buchanan**  
Deputy Chief Investment Officer

**Robert Abad**  
Product Specialist

# USTs Rallied on Moderate US Growth and Inflation, Fed Dovishness, and Trade Fears

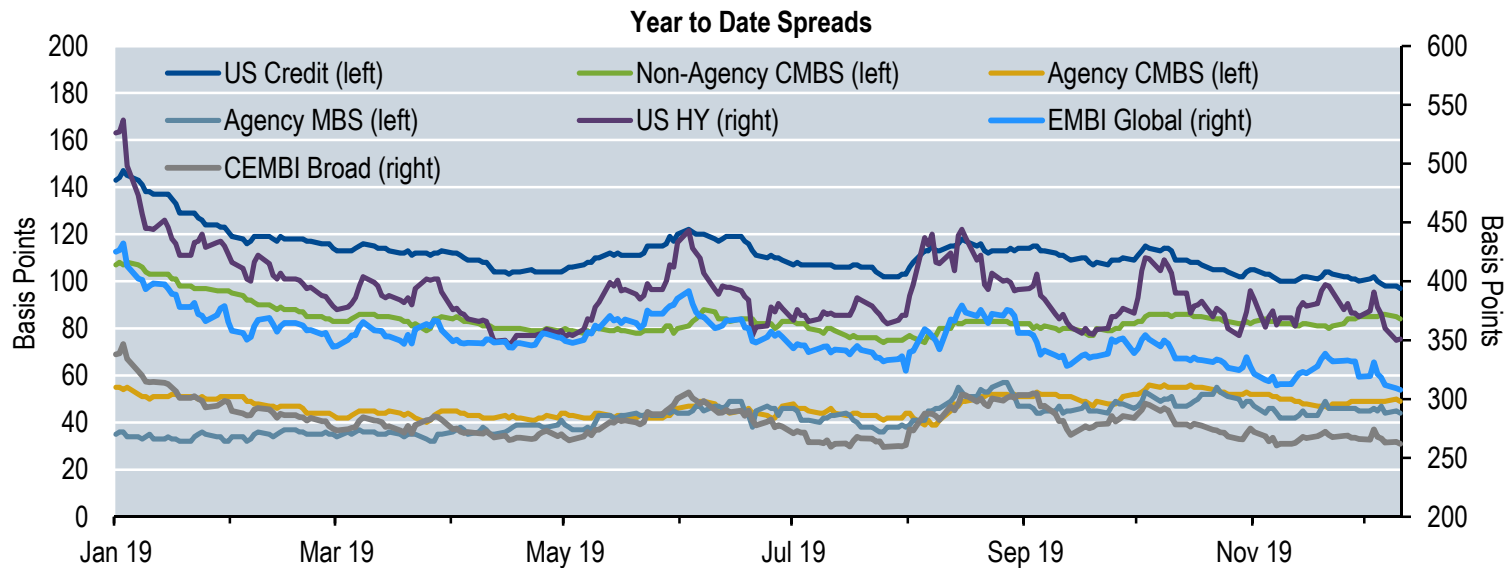


Source: Bloomberg. As of 30 Nov 19



Source: Bloomberg Barclays. As of 30 Nov 19

# With Few Exceptions, Global Credit Spreads Compressed Further



Source: Bloomberg. As of 10 Dec 19

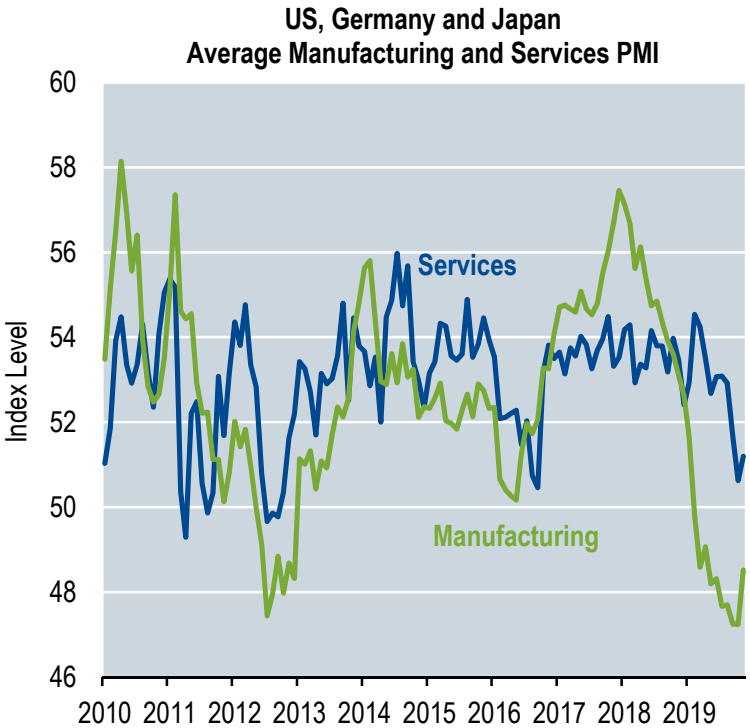
	Spread Levels (bps)		
	01 Jan 19	10 Dec 19	Difference
Bloomberg Barclays US Credit Index	143	97	-46
Bloomberg Barclays Non-Agency CMBS Index	107	84	-23
Bloomberg Barclays Agency CMBS Index	55	49	-6
Bloomberg Barclays Agency MBS Index	35	44	9
Bloomberg Barclays US High-Yield Index	526	351	-175
J.P. Morgan EMBI Global	425	308	-117
J.P. Morgan CEMBI Broad	338	262	-76

Source: Bloomberg. As of 10 Dec 09

# Global Growth Conditions Appear to Be Stabilizing

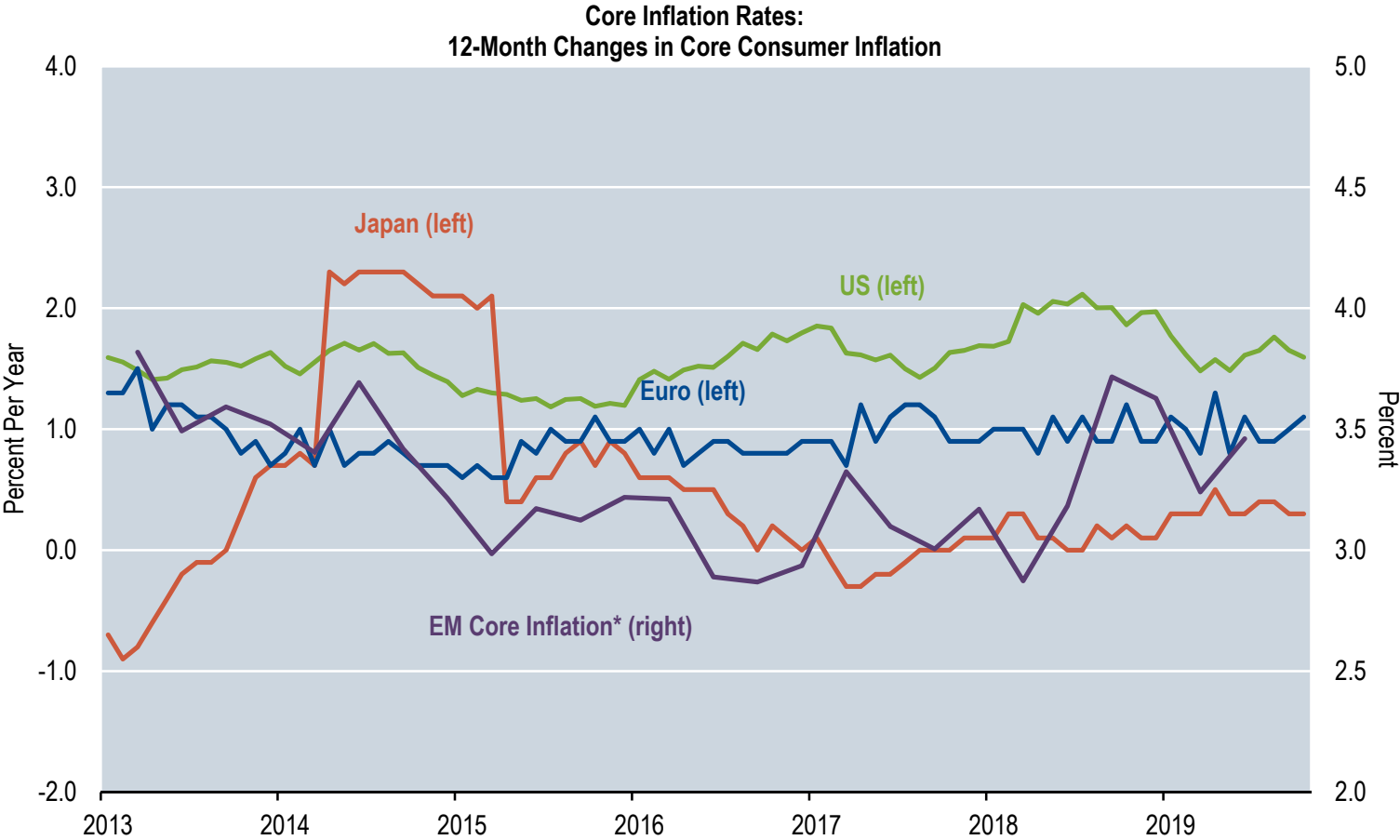


Source: Bloomberg, J.P. Morgan. As of 06 Dec 19



Source: Haver, Western Asset. As of 30 Nov 19

# Global Core Inflation Remains Below Target



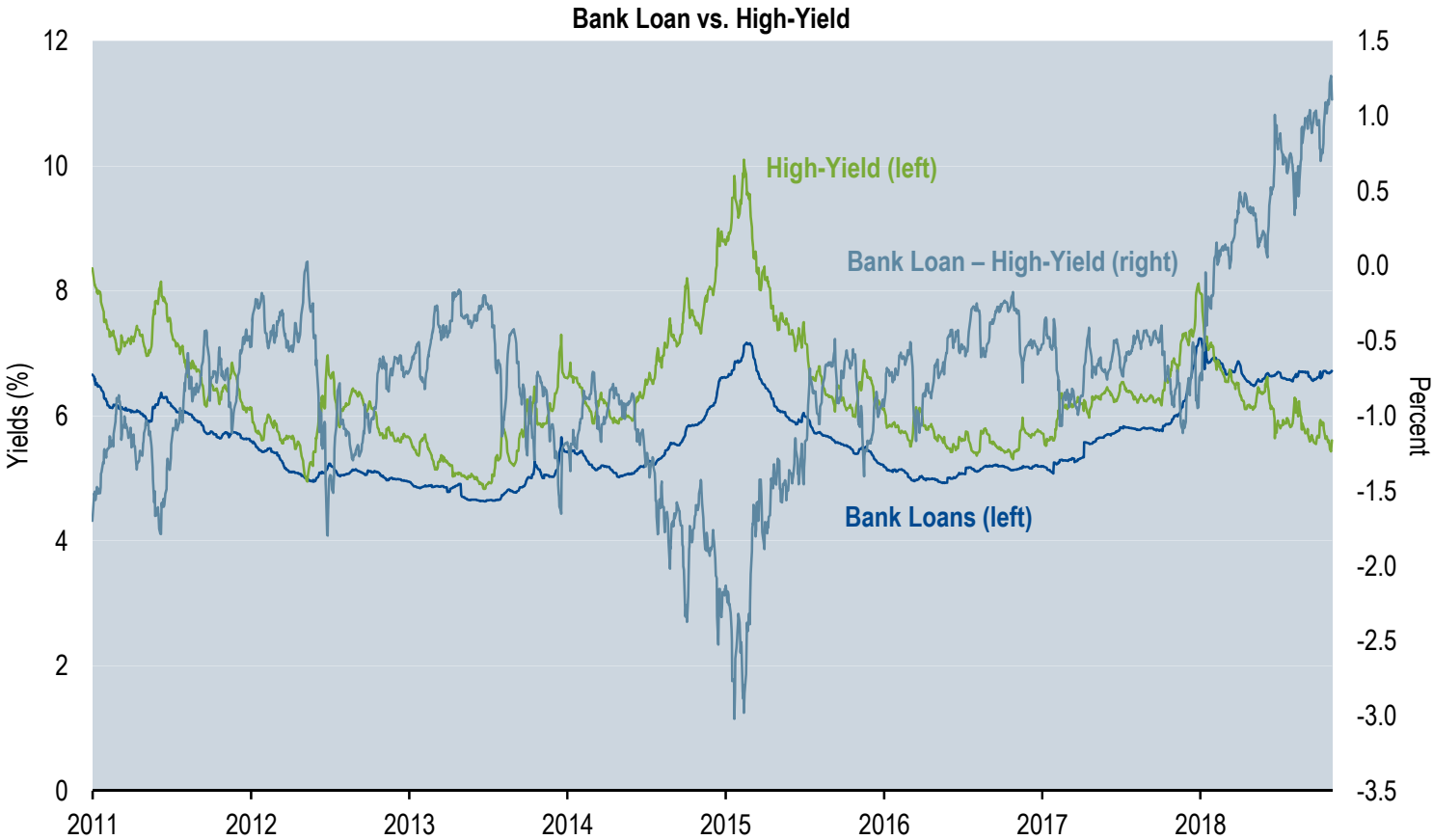
Source: Bureau of Economic Analysis, Bloomberg. As of 31 Oct 19  
 \*EM Core Inflation data is quarterly, as of 30 Jun 19

## Credit Market Spreads and Returns

	Current Spread (bps)	12-Month Spread (bps)		YTD Change (bps)	Yield (%)	YTD Total Return (%)
		Tight	Wide			
<b>Bloomberg Barclays US Credit BBB Index</b>	140	140	197	-57	3.3	15.7
<b>Bloomberg Barclays US High-Yield 2% Issuer Cap BB Index</b>	191	191	354	-73	3.8	14.1
<b>Bloomberg Barclays US Credit Index</b>	100	100	143	-43	2.8	13.5
<b>Bloomberg Barclays US Credit A Index</b>	79	79	118	-40	2.6	13.0
<b>Bloomberg Barclays US High-Yield 2% Issuer Cap B Index</b>	368	357	531	-50	5.6	12.7
<b>Bloomberg Barclays US High-Yield 2% Issuer Cap Index</b>	370	358	526	-53	5.6	12.1
<b>Bloomberg Barclays US Credit AA Index</b>	57	57	81	-24	2.4	10.5
<b>S&amp;P/LSTA Leveraged Loan BB Index</b>	297	282	437	-139	4.8	8.4
<b>S&amp;P/LSTA Leveraged Loan Index</b>	504	418	551	-48	6.5	6.9
<b>S&amp;P/LSTA Leveraged Loan B Index</b>	525	445	580	-54	6.7	6.9
<b>J.P. Morgan CLO BBB Index</b>	396	315	409	-11	5.6	6.7
<b>J.P. Morgan CLO BB Index</b>	779	656	802	45	9.5	6.2
<b>Bloomberg Barclays US High-Yield 2% Issuer Cap CCC Index</b>	979	714	989	-10	12.1	4.3

Source: Bloomberg, J.P. Morgan, S&P/LSTA. As of 30 Nov 19

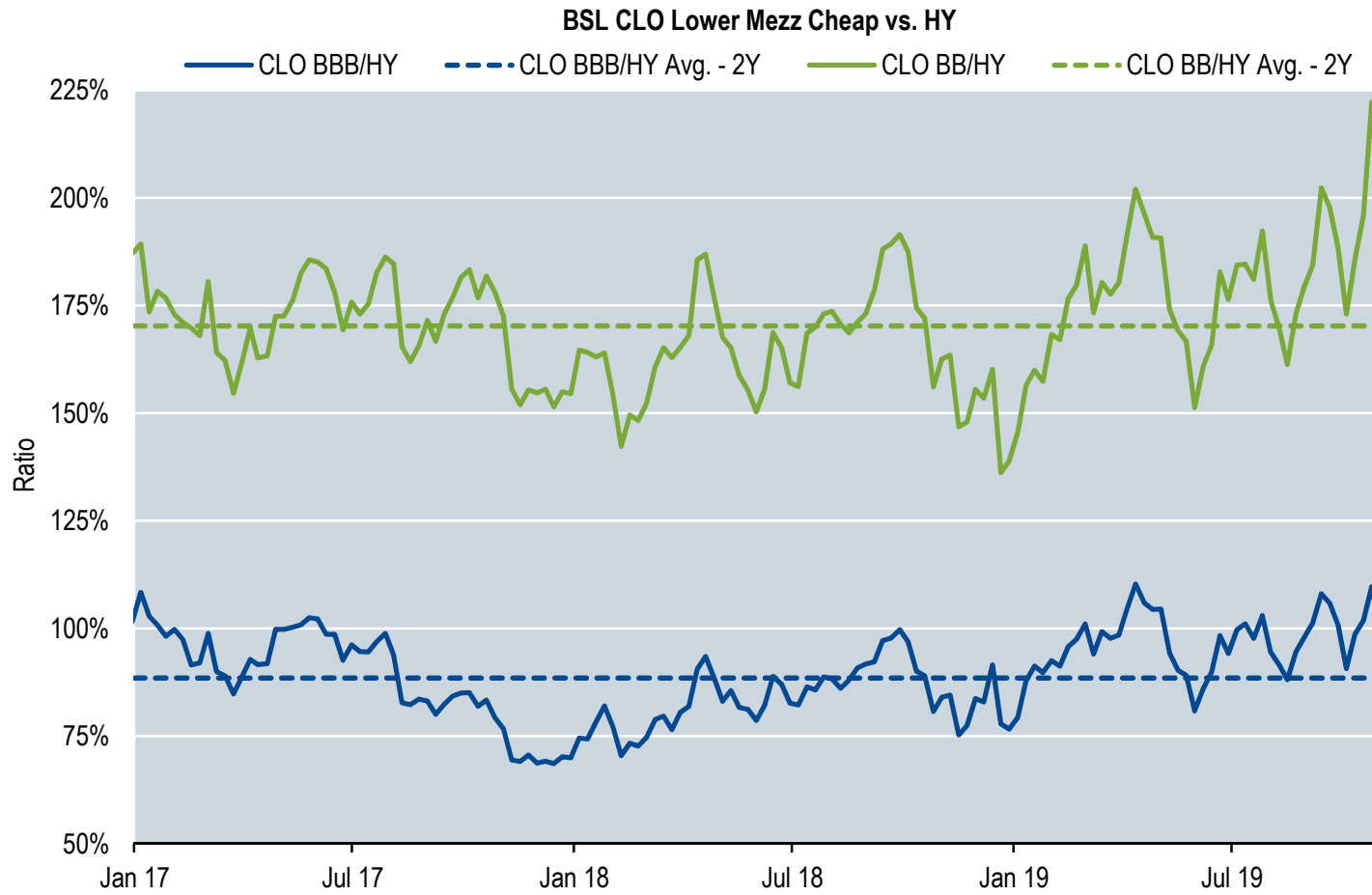
# Bank Loan Valuations Currently Look Attractive Relative to High-Yield



Source: Credit Suisse. As of 30 Oct 19



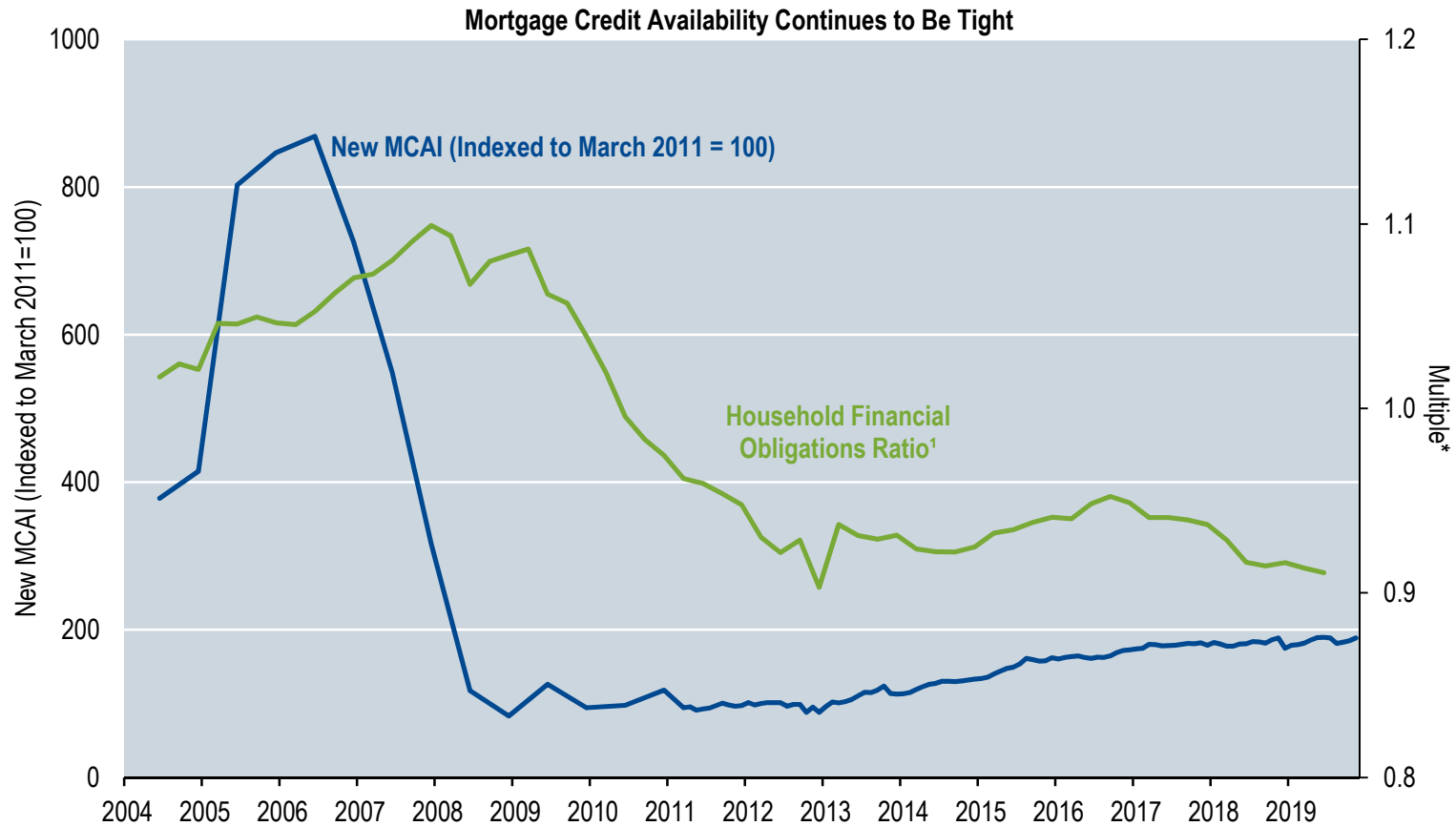
# High-Yield/CLO Relative Value



Source: Wells Fargo Securities, Bloomberg, Bloomberg Index Services Ltd, Markit. As of 08 Nov 19

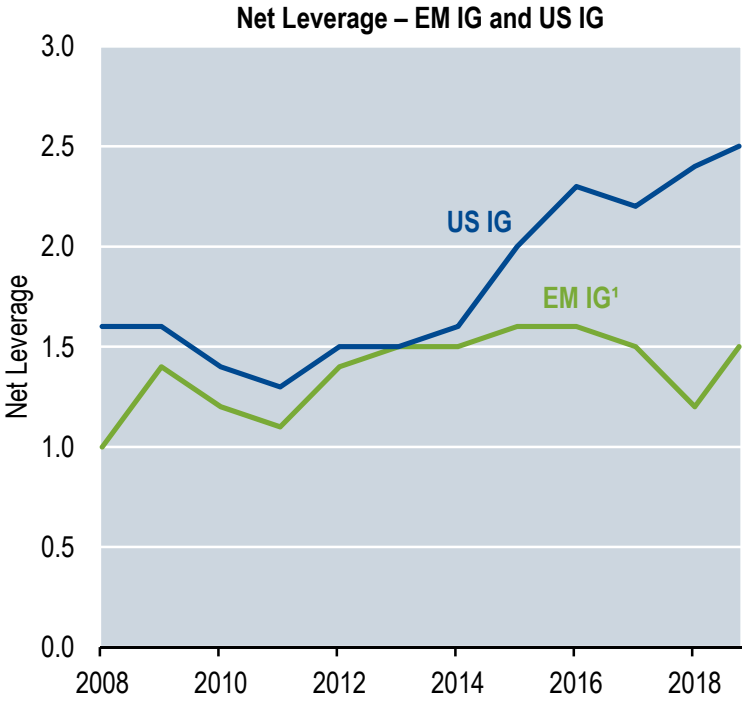
# Consumer and Housing Fundamentals Appear on Solid Footing

Favor credit risk on recently originated mortgages due to stringent underwriting standards

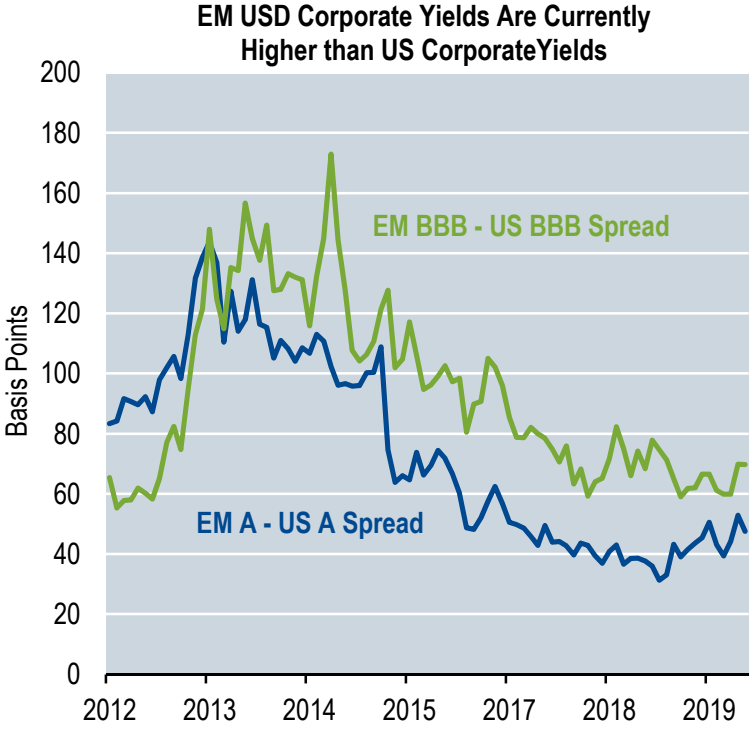


Source: BAML, Federal Reserve, MBA, Western Asset. As of 30 Nov 19  
\*Household debt to total disposable income in the United States. As of 30 Jun 19

# EM Corporates Offer Value and Diversification Versus US Credit

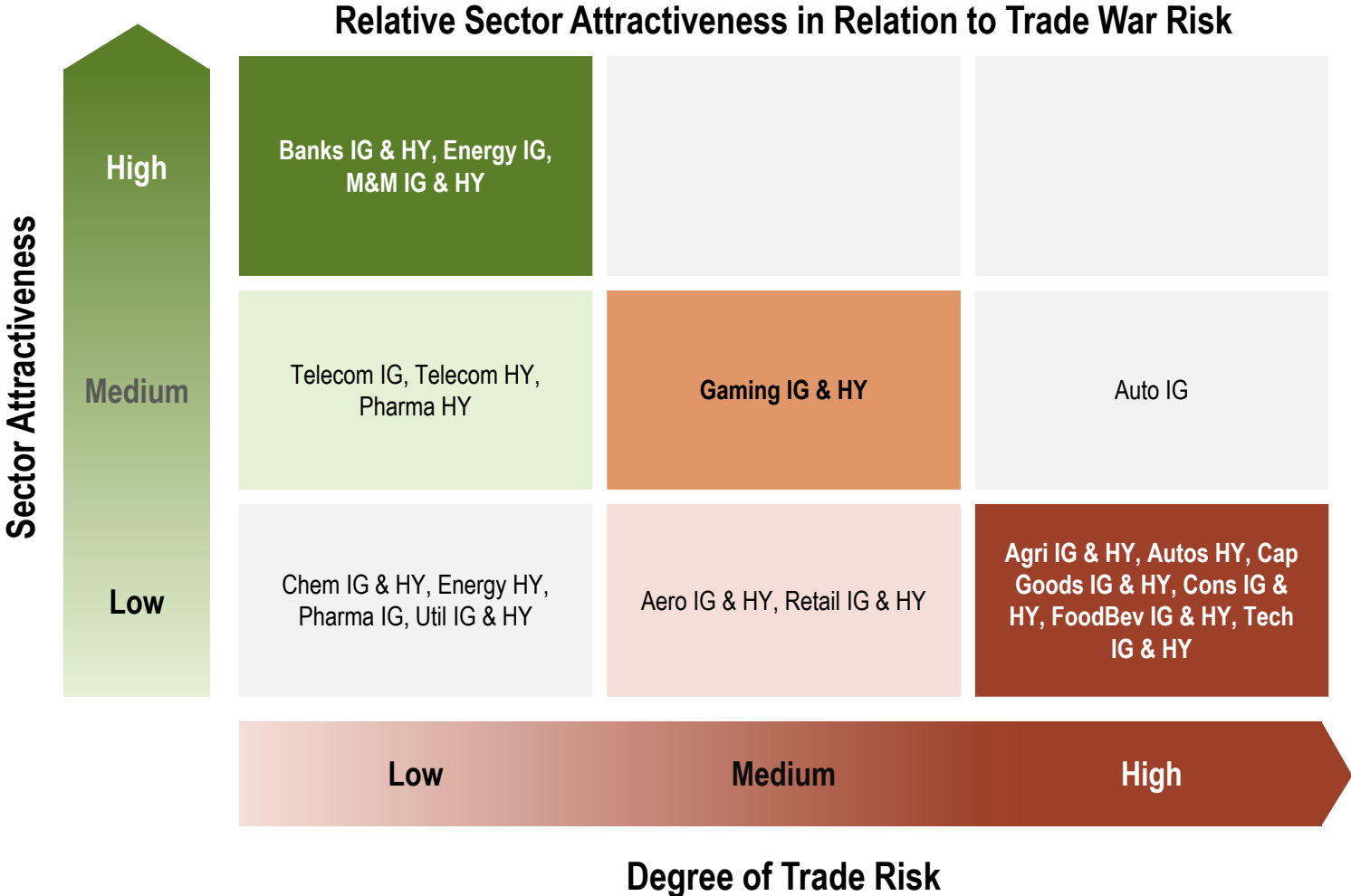


Source: J.P. Morgan. As of 30 Sep 19  
<sup>1</sup>Ex. 100% quasiz, Real Estate



Source: Bloomberg, J.P. Morgan. As of 30 Nov 19

# Relative Sector Attractiveness in Relation to Trade War Risk



The above reflects the current opinions of Western Asset. As of 11 Dec 19.

## Questions & Answers

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**Thank you.**

## Risk Disclosure

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