FHN FINANCIAL

JANUARY 17, 2020

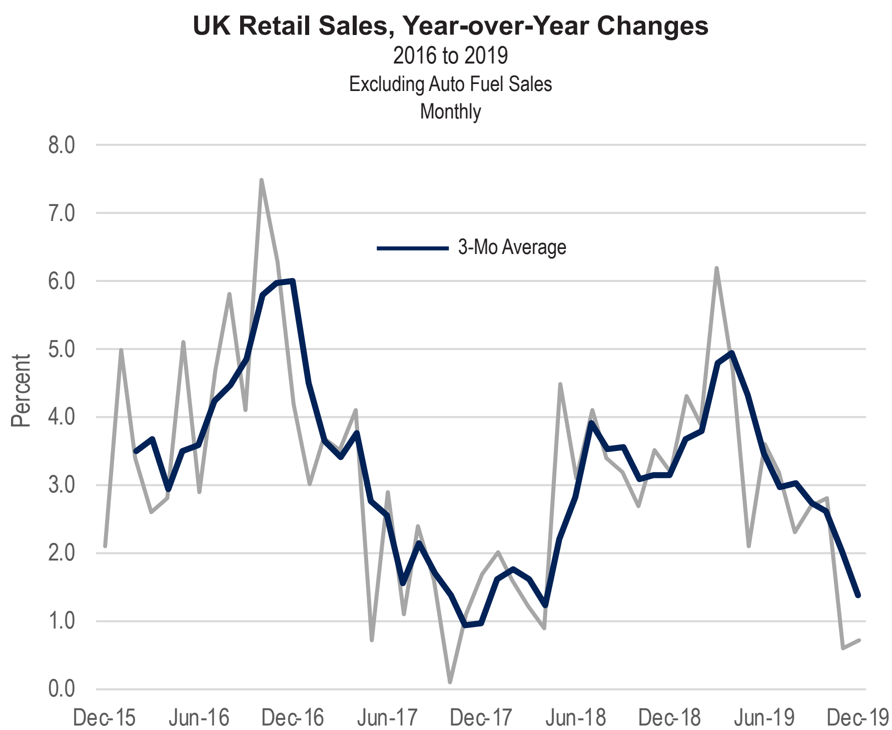
THE WEEKLY REPORT

Last month, global rates got a boost from a better path for Brexit in 2020. This month, though, weakening data are the headline from the UK and rates are retreating quickly. 10-yr rates there are down 20bp since the middle of December, while 5-yr rates have fallen 22bp. Keep in mind, the declines are on a much lower level than the 11bp declines in Treasuries over the period.

While the pound/euro has been steady, the weakening pound is dragging the euro lower relative to the dollar. Bank of England officials have been discussing the potential need for easing, and could speak to it at their January 30 meeting.

Between stronger EU bond prices and the bounce in the dollar this week, it is now harder for those eager to short Treasury bond prices. Rather than process a mixed bag of US data this week – mushy retail sales in the fourth quarter, a huge increase in December housing starts, low core CPI, etc. – traders find themselves trapped yet again by European markets.

The chart is the annual pace of retail sales, excluding auto fuel. The chart of industrial production is just as unsightly.



Source: UK Office for National Statistics

MARKET UPDATE P. 2

The timing of Treasury's announcement on the new 20-yr note auction led some to worry something was in the works besides an off-calendar press release. The curve steepened accordingly, only to retrace on modest buying. Also, stronger bond prices in Europe contributed to a range-bound Treasury market that got too rich several times this week. Finally, a roundup of the smaller, but important interest rate stories this week.

INFLATION LAB P. 5

In December, the factors that pushed up inflation in the third quarter slowed down again. It's not clear the first quarter of this year will see a string of monthly core increases at or below .15%, but upward price pressures are falling faster than even we expected.

STRATEGY P. 9

FHN Financial hosted its annual economic outlook webinar on January 14. This is a brief outline of the presentation for future reference, and to map out questions for the first half of the year. Several of the charts have been updated, illustrating how the ideas in the webinar are already in play this month.

PERFORMANCE P. 11

Fed officials are leery of financial asset contagion in the US. Yet, the 2012-2019 recovery period with soaring stock markets here actually tells a much different story that's even more important than the impact of low interest rates. A look at sustained outperformance by credit sectors in fixed income also expands well beyond the simple observation that credit spreads are "too tight." Four tables of historical and 2019 performance by sector included in the back.presentat

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UST CURVE ENDS STEEPER ON NEW UST SUPPLY

Until Thursday night, the UST curve was flattening on low volume trading and downward revisions to retail sales in the fourth quarter. EU government curves have remained stable the last eight sessions in front of the ECB meeting next Thursday. So, the US response was primarily related to Treasury's announcement it is going to sell 20-yr bonds in the first half of this year.

The announcement of the 20-yr – returning after an absence since the mid-80s – was not that much of a surprise even though the timing of a late Thursday news release was a little odd. The critical details will be discussed at the quarterly refunding announcement February 5. Many observers thought the Treasury might hold off on 20-yr sales until 2021; FHN Financial's outlook called for a May start (see pg 5 [TWR - 11.1.19.pdf]).

UST 10s/30s Curve
January 10 to January 17
1-Hour Intervals

Source: Bloomberg

Several notes

1. Curve flattened after average hourly earnings growth disappointed in December
2. Flattening as corporate issuance volume was on a hiatus
3. Announcement of 20-yr

> The reflex reaction to the announcement has failed to consider the Treasury could cut the size of 10-yr and 30-yr auctions to make room for the 20-yr. At the very least, a mid-long coupon will slow what would have been inevitable growth in the 10s and 30s starting next year. Treasury faces a log jam of maturity rollovers this decade that would be compounded with large additions to 3-yr and 5-yr coupon auctions. Bottom Line: The acceptance/rejection of a 20-yr will be less important than its influence on the yield of the 10-yr, the bellwether for most fixed-income portfolios.

The 2s/10s curve steepened as well, as updated on page 9 in the Strategy section where we cover FHN Financial's call to pursue minor duration extension for intermediate portfolios as this curve segment approaches 30bp. As of mid-day Friday, it's at 27bp.

Global real yields continue falling

While the yield curve did provide some excitement this week, the bigger (but slower) story is the gradual realization in Europe easier monetary policy will arrive before the next tightening. That certainly was not in the outlook in December when everyone was applauding the Phase 1 progress between the US and China. See the cover chart on just one of the disappointing numbers in the UK this week.

In the last six weeks, real 10-yr yields in Europe have moved more negative by 12bp. The corresponding move in the US is a much smaller 3bp on a larger baseline.

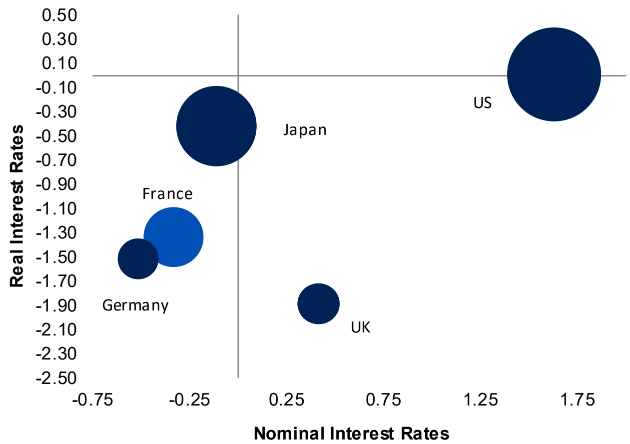
The scatter plot on the global 5-yr market illustrates how advanced US rates remain relative to its closest industrial competitors outside China. Until real yields bounce significantly, any move to sell bonds in the US is likely to be met with buying from overseas – the second largest source of fixed income buying in the preliminary estimates for 2019.

Global 5-Yr Government Bond Yields

Real and Nominal Annual Rates

Weighted by Size

Outstanding January 17, 2020



Source: FHN Financial

Recommendations

On Wednesday the 5-yr UST yield dipped to 1.60% and FHN recommended a hold because that was too rich. The 3-yr was a sale at 1.56%, we noted at the time. Early afternoon levels on January 17:

- 3s @ 1.578%
- 5s @ 1.630%
- 7s @ 1.745%

The obvious choice to explore next week is to add in the 7-yr area as it's close to FHN's long-running target of 1.75%. The 5-yr is still a bit rich, but doesn't warrant any change in buying or selling in the range of 1.61-1.67%.

We <u>can</u> recommend a sale of the June 2022 old 3-yr as it's too rich on the curve. Also, it would be more vulnerable than current 3s if the FOMC decides to raise interest on excess reserves at the January or March meetings. An increase was loosely signaled at the December meeting.

The cheapest 7-yr is the August 2026 maturity. There are no cheap 5s; the closest is August 2025.

Labor Department changes release practices on payrolls and other BLS reports

The Labor Department will no longer allow financial news wires and reporters to use computers to transmit economic data milliseconds after the data are released (it bans all electronics as well). The change goes into effect in March, with payrolls and CPI the two data releases traders will miss the most under the current system.

High speed traders will have to develop alternate technology to maintain their current advantage. It's a good bet they will find a way. In a conference call with the press, Labor officials denied the move is directed at *Bloomberg News* or its owner, who happens to have committed huge sums to defeating President Trump this year.

From a fundamental standpoint, release methodology makes little difference, but both high-speed firms and data providers currently monetize the "lockup" system, one also employed by the Fed and other governments outside the US. Any changes will bring some unintended consequences, but do not expect them to be insurmountable or threaten market liquidity.

Fed extends term repo program into February

The term repo program was only a hard commitment through January. It now moves forward at least a month. Term repo has seen more congestion in the first two weeks of the year than overnights, particularly in mortgages. The January/February roll breakeven rate on the largest collateral pool is 2.50%. Since the Fed announcement on January 15, term repo markets improved with reasonably priced liquidity now extending through the summer.

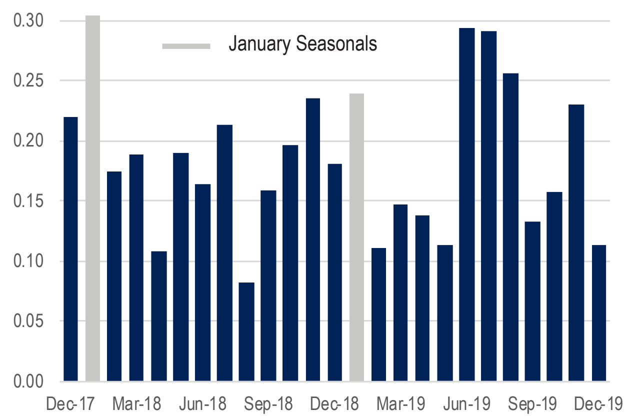
Overnight repo did not suffer any visible strain in funding Treasury note settlements on January 15. Reliance on overnight funding continues to climb, however.

CORE PRICE MOMENTUM EBBS IN DECEMBER

CPI less food and energy didn't meet expectations or recent monthly growth trends in December. A portion of the shortfall was the typical softening of core price growth when energy prices spike. More importantly, the sectors that accounted for much of the faster pace in the second half of the year started to cool off.

Based on the composition of the price changes last month, it's not clear the first quarter will see a string of monthly core increases below .15%. Markets should expect the sawtooth pattern in this chart to repeat.

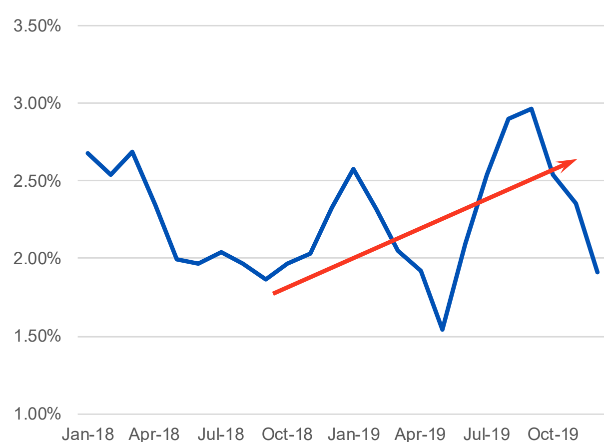
Monthly Change in Core CPI
2017 to 2019



Source: Bureau of Labor Statistics

Upward price pressures are falling faster than we anticipated. The most sensitive barometer is an annualized inflation rate on a 4-month trend. The peak speed was at the end of the third quarter, one of the observations that forecasters used in late November to forecast a .30% increase in core prices to 2.0% in 2020. The four months ending in December came in at 1.91%, well below the 2-yr average of 2.25%, and retreating below 2.0% for only the third time in the last 13 months. The trendline (red) has failed in three straight months.

Annualized 4-Month Trend of Monthly Core CPI
2018 to 2019
Monthly



Source: BLS, FHN Financial

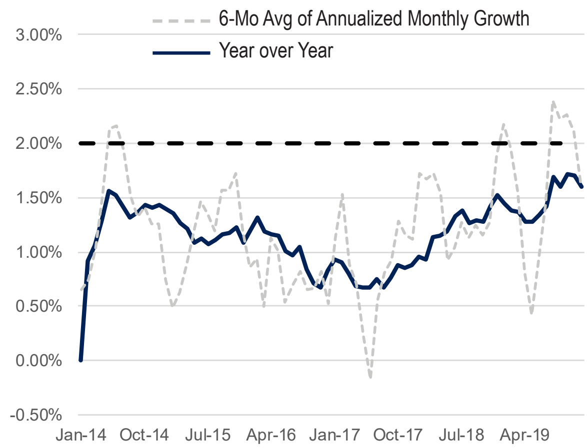
In two of the three major sectors that saw prices fall from November, transportation and housing costs are ex-energy. As energy prices stabilize, look for housing prices to return closer to their normal .20%-.25% increase on a monthly basis.

	Weight	Dec	Nov
OER	24.21	**0.242**	**0.237**
Housing less OER & Energy	14.32	**-0.096**	**0.250**
Food & Beverages	13.25	0.161	0.125
Transportation less Motor Fuel	12.36	-0.347	0.047
Medical	8.83	**0.568**	**0.322**
Energy	7.48	1.424	0.798
Education & Communication	6.54	0.058	0.321
Recreation	5.64	0.149	0.418
	92.62		
Other	3.21	**-0.126**	**0.250**
Apparel	2.95	**0.405**	**0.130**
Alcohol	0.96	**0.123**	**-0.287**
	7.11		

Source: FHN Financial, BLS

Even though housing prices saw slow growth, the year-over-year growth of inflation ex housing and energy ticked lower…as did the 6-month annualized trend.

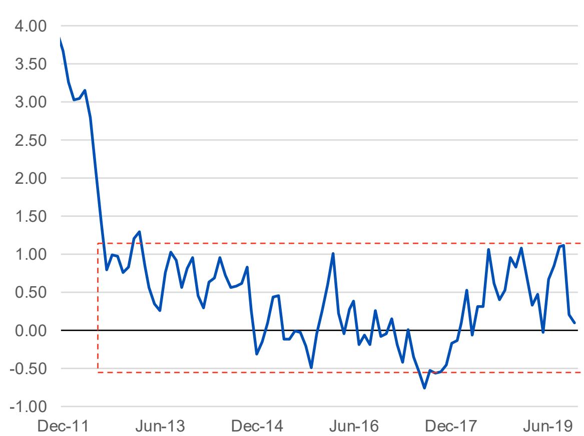
CPI Excluding Housing and Energy
2014 to 2019
Monthly



Source: BLS, FHN Financial

In another December surprise, one inflation metric flashed year-over-year deflation. The core flexible CPI series from the Federal Reserve Bank of Atlanta fell below zero for the first time in two years. It's unusual to see so late in the cycle.

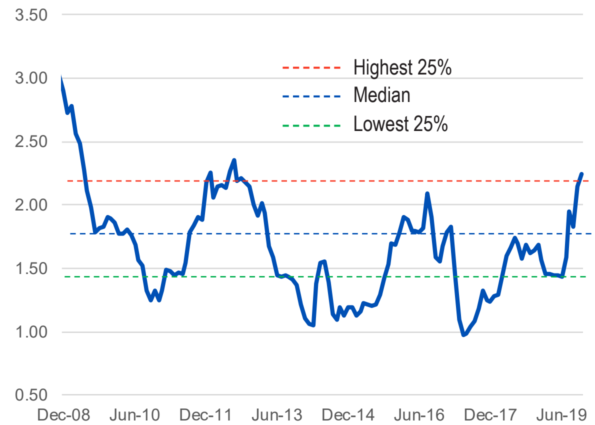
Flexible Components of Core CPI
12-Month % Change
2012 to 2019
Monthly



Source: Federal Reserve Bank of Atlanta, FHN Financial

Excluding housing costs, the core stickly CPI calculation hovers at the highs due principally to elevated medical costs, including prescription drugs.

Sticky Core Inflation, Ex-Housing
Year over Year
2009 to November 2019
Monthly

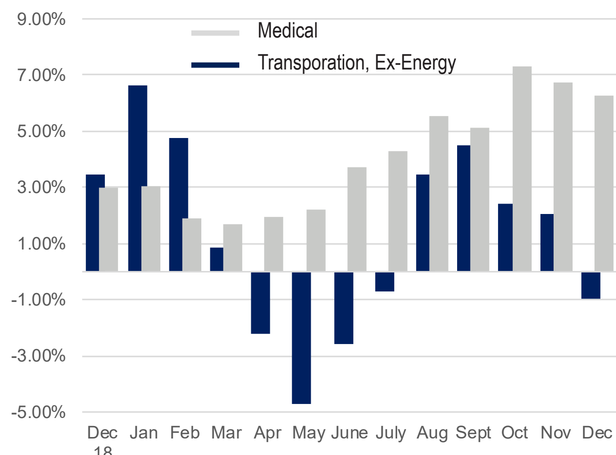


Source: Federal Reserve Bank of Atlanta, FHN Financial

Individual components not synchronized in either direction

The 5-month run in medical costs is the largest sustained boost to core inflation in that sector in more than three years. Here, it is paired with transportation (ex-energy) that has the same share of total CPI.

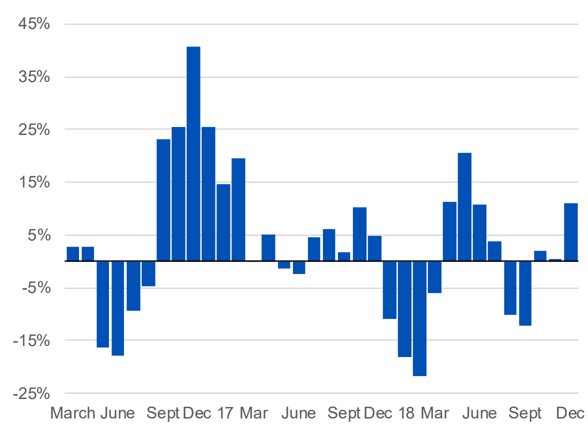
Transportation and Medical Costs
Annualized 4-Month Changes
2018 to 2019



Source: BLS, FHN Financial

The cyclical nature of energy prices now goes back more than six years. Here are the last 33 months.

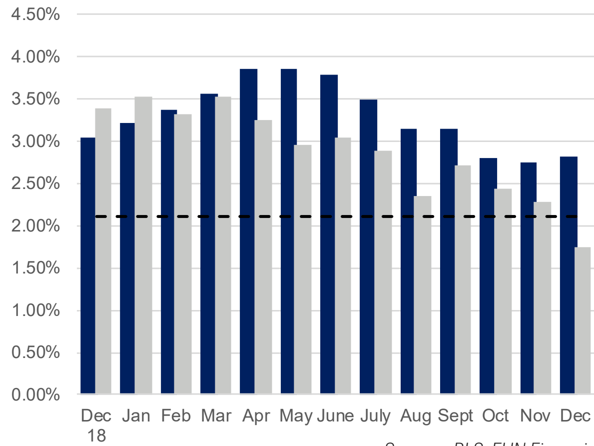
CPI Energy
Annualized 4-Month Price Change
March 2016 to December 2019



Source: BLS, FHN Financial

Last, the big mover in core CPI is well off its peak – owners equivalent rent. The slowdown comes even as the Midwest and Northeast begin to slowly move toward the pace once set by the West.

Housing Owners' Equivalent Rent
Housing Costs Ex-OER and Energy
Annualized 4-Month Changes
2018 to 2019



Source: BLS, FHN Financial

2020 OUTLOOK: FASTER GROWTH, SLOW INFLATION

FHN Financial hosted its annual economic outlook webinar on January 14. This is a brief outline of the presentation for future reference. Here's the link to the complete replay, including charts and handouts. FHN Financial 2020 Economic Outlook

Chris Low opened with three major themes for this year:

1. GDP accelerates to 3% in second half
2. Inflation stays low
   - Inflation lags growth as in 2018
   - Global GDP still slowing. There is ample world capacity.
3. Fed mid-year policy review will have lasting power to keep rates low. Chris describes the process on page three of *Economic Weekly*.

The presentation on the potential for lower rates pivoted on a recent note from Fed Economist Michael Kiley regarding how even shallow recessions bring lower rates, a reason the Fed needs to remain accommodative now. Available here.

The bottom line for the US economy:

- Inflation is tame and the risks are tilted to lower inflation
- Fed approaching a more accommodative stance, but not in an election year. Next rate cut most likely delayed until early 2021.
- The Fed and inflation are central to forecasting interest rates, regardless of improving US growth and optimism that Western Europe can rise from the cellar this year.

The outlook for US interest rates

With little volatility expected for the level of interest rates, the first key to a successful portfolio in 2020 is to understand the forces shaping the yield curve.

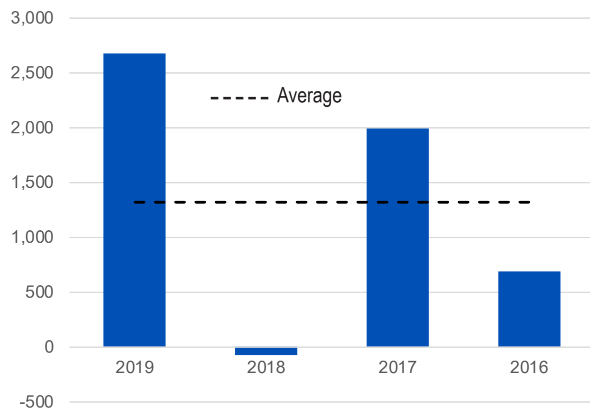
- Market view of faster inflation can steepen the curve quickly, particularly in the next several months. FHN's rate forecast has a range on the 2s/10s curve of 15-20bp. When the curve approaches 30bp, that is one time to accelerate purchases and mild duration extenstions.

Source: Bloomberg

- Two forces we expect to steepen the curve
    1. Market forecasts of faster inflation. See page 2 TWR - 12.20.19.pdf
    2. Fear of tightening central bank policy when US growth stays robust.

To keep rates in a narrow range, demand for fixed income needs to stay roughly equal. FHN forecasts net fixed-rate, high-grade supply this year of $1.35 trillion (see page 5 TWR - 1.10.20.pdf). The average demand for term debt the last four years has averaged $1.5 trillion. At the rate of fixed income inflows in the fourth quarter, there is no reason to believe they will slow significantly in the first half of 2020, even with a strong bias toward investing in equities. Inflows of $1.3 trillion would be a natural decline after the big spike in 2019.

Total Fixed Rate Demand for High-Grade Bonds
Billions



Source: FHN Financial, FTSE Russell, Federal Reserve

- Low global interest rates will continue to have a major influence on US levels, particularly at the long end. To watch for a major change in global rate sentiment, follow yields less inflation expectations in Europe. Here's the bellwether chart from the webinar, real 10-yr yields in France. They tend to be less volatile and more representative than government yields in Germany.

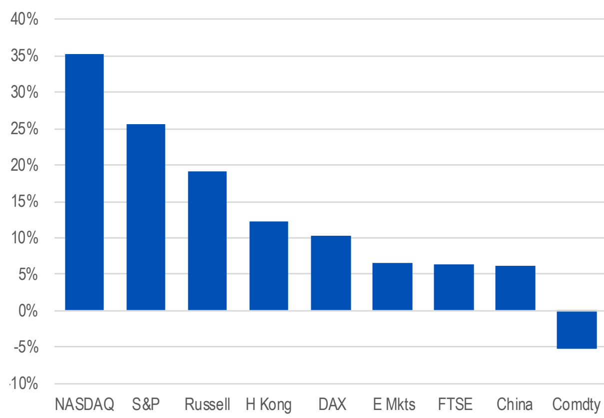
Yields on 10-Yr French Govt. Bonds less EU Inflation Expectations
2014 to Present
Weekly

Source: Bloomberg, Refinitiv, FHN Financial

GLOBAL ECONOMY: LONG WAY YET TO MATCH US GROWTH

Fed officials are leery of financial asset contagion in the US because that's the economy they manage. Yet, the 2012-2019 recovery period with soaring stock markets here tells several different stories. First, a look at the compound annual growth rate across major global exchanges, plus commodities.

Compound Annual Growth of Selected Stocks + Commodities
2012 to 2019
Expressed in USD



Source: Various Exchanges, Bloomberg, FHN Financial

In order of importance, consider these observations:

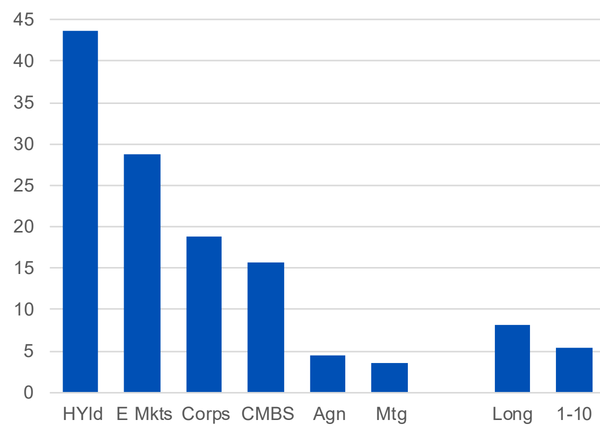
- There are three different tiers to the US stock market. NASDAQ's performance reflects the combination of faster revenue/profit growth potential and the value of intellectual capital over tangible capital. The relative underperformance of the Russell 2000 shows the dominance of large caps that can afford large equity buybacks, economies of scale, and relative pricing power.
- The horrific showing of commodities highlights the global revolution that emphasizes value-added over raw inputs. How is the Phillips Curve ever supposed to function correctly in this environment where so much of labor is simply an input? Answer: It cannot.
- The gulf between the US and comparably sized regions is remarkable. ***The difference between the S&P and Germany, for example, is 15 percentage points each year for 8 years.*** If the chart started earlier last decade, the comparison would be even worse. Asset performance and volatility gaps highlight the relatively slower growth outside the US that tempers the impact of higher prices.
- For all of Hong Kong's difficulties, it stands well above China. The annual differential is 6 percentage points. Does choice of government and economic systems make that big a difference? it's a reasonable place to start looking, because those factors could explain some of the difference between the US and Europe.

Cumulative fixed income excess returns

The chart of excess returns in fixed income for the same period also raises questions that rise above simplistic phrases such as "reach for yield," "excessive risk", or "historically tight spreads."

- The ridiculous benefits to high yield highlight the consistency of US growth, but that surely is not the only factor. The excess return gap also suggests barriers to investing in high yield that abnormally reward those that can participate. Also, the investment pool is limited. Outstanding, index-eligible high yield debt has remained roughly constant the last six years at $1 trillion.
- The excess returns of housing-related debt in mortgage and agency debt form barely register on the graph. Against the increase in debt overall, the share of leverage in single-family housing has shrunk considerably while assets of investors largely confined to high-grade debt with almost no credit exposure continues to escalate. There is a leverage/regulatory arbitrage that benefits investment grade corporates.
- The one housing segment where debt has grown? Multi-family…a major driver of the high-grade CMBS market.
- Longer pension fixed income assets have not generated excess returns appreciably better than intermediate, lower duration assets. A more transparent Fed, slow global growth, and increased savings have all reduced the value of the maturity term premium.

Cumulative Excess Returns vs UST
Percentage Points
2012 to 2019



Source: FHN Financial, Bloomberg, FTSE Russell

Note: The first two tables list returns from 2012-2019, representing the recovery period from the Great Recession. Starting from an earlier date would not have changed the relative strength between the different market sectors, but it's time to move on from 10-yr lookbacks. Although not shown, FHN Financial has these categories back to 2003 for any customers who request a longer time series. All overseas markets are expressed in US dollars. Nominal returns would change if expressed in another currency, but relative attractiveness or underperformance would not change if expressed in another currency. The second two charts correct two numbers in the versions first published on January 3.

Annual Financial Market Total Returns for 2012-2019

	Total	2019	2018	2017	2016	2015	2014	2013	2012
Inv Grade Fixed Income	26.3	8.76	0.03	3.57	3.00	0.54	5.91	-2.00	4.25
Intermediates	19.2	6.07	0.91	2.27	0.03	1.23	4.13	-0.23	3.54
Mortgages	21.2	6.43	1.01	2.51	0.91	1.53	6.13	-1.47	2.61
Corporates	37.9	14.57	-2.52	6.36	0.85	-0.66	7.54	-1.78	9.68
Treasuries	17.0	6.85	0.85	2.30	1.04	0.81	4.98	-2.66	1.97
Agencies	19.0	6.04	1.24	2.11	1.68	1.41	3.90	-1.29	2.65
TIPs	4.7	7.30	-1.51	3.31	-4.15	-1.74	4.70	-9.33	7.30
CMBS	34.6	8.29	0.78	3.35	3.49	0.97	3.96	0.22	9.65
Index-Weighted Swaps	19.0	8.05	1.40	1.13	0.98	2.17	4.74	-2.91	2.42
High Yield	67.3	14.09	-2.11	7.04	17.51	-5.39	1.83	7.17	15.34
Emerging Markets	38.4	14.84	-4.15	9.81	-2.11	0.72	4.88	-5.76	17.51
Government/Credit	27.0	9.51	-0.35	3.98	3.12	0.21	5.72	-2.14	4.71
FTSE Russell Pens Fund	37.4	12.80	-1.45	6.08	3.65	-0.38	12.94	-5.99	6.27
FTSE Russell World Gov	3.2	6.00	1.12	1.23	1.60	-3.57	-0.48	-4.00	1.65
Dow Jones Industrials	184.5	25.34	-3.48	28.12	16.46	0.21	10.04	29.65	10.24
S&P 500	203.4	31.48	-4.39	21.84	11.93	1.37	13.68	32.38	16.00
NASDAQ	281.3	36.74	-2.81	29.73	8.95	7.11	14.83	40.17	17.75
Russell 2000	151.4	25.49	-11.35	15.02	21.28	-4.41	4.90	38.82	16.39
FTSE	50.3	21.71	-14.10	22.69	-0.16	-6.32	-4.96	19.18	10.61
DAX	81.7	22.95	-22.21	28.24	3.36	-1.67	-10.00	25.48	29.06
Nikkei	212.3	22.37	-8.63	25.67	5.72	9.94	-4.32	59.28	25.47
Shanghai	47.7	23.76	-26.91	15.97	-16.35	6.39	52.38	-1.92	5.83
Hang Seng	97.3	13.64	-10.78	40.19	4.22	-3.88	5.58	2.97	27.44
Emerging Markets	51.3	18.63	-14.49	37.51	11.75	-14.61	-1.97	-2.26	18.62
Commodities	-42.5	5.44	-12.99	0.75	11.40	-24.70	-17.04	-9.58	-1.14

Source: FTSE Russell Index, Bloomberg, MSCI, Standard and Poors, FHN Financial

Annual Excess Returns to UST for 2012-2019

	Total	2019	2018	2017	2016	2015	2014	2013	2012
	Dura Adj	Dura Adj	Dura Adj	Dura Adj	Dura Adj	Dura Adj	Dura Adj	Dura Adj	Dura Adj
Total Inv Grade Fixed Income	6.42	1.94	-1.00	1.02	1.43	-0.41	0.16	0.93	2.22
Index-Weighted Swaps	0.28	-0.71	1.37	-1.48	-0.25	1.21	-0.21	0.00	0.38
Intermediates	5.33	1.18	-0.51	0.95	0.72	0.06	0.44	0.56	1.82
Mortgages	3.50	0.74	-0.58	0.66	0.24	0.16	0.55	0.69	1.01
Corporates	18.81	5.68	-3.30	2.87	5.01	-1.50	-0.63	2.80	6.95
Agencies	4.39	0.59	0.08	0.72	0.57	0.29	0.67	0.29	1.09
TIPs	-4.92	1.78	-2.41	0.18	2.57	-2.71	-3.82	-5.20	5.00
CMBS	15.70	1.81	-0.39	1.36	2.42	-0.29	0.62	1.08	8.38
High Yield	43.69	8.44	-3.52	5.21	16.07	-6.77	-2.02	9.33	12.62
Emerging Markets	28.72	6.19	-4.64	6.33	8.35	-0.64	-1.27	-1.51	14.21
Government/Credit	7.73	2.40	-1.17	1.51	1.94	-0.74	-0.10	1.01	2.70
FTSE Russell Large Pension	8.08	2.93	-1.65	1.67	2.29	-1.03	-0.06	0.89	2.88
FTSE Russell World Gvt (USD)	3.90	0.78	-0.31	0.23	-0.13	0.50	0.73	1.11	0.95

Source: FTSE Russell Index, Bloomberg, MSCI, Standard and Poors, FHN Financial

2H 2019

	Third Quarter			Fourth Quarter			Second Half		
		Duration Adjusted			Duration Adjusted			Duration Adjusted	
	Returns	UST	LIBOR	Returns	UST	LIBOR	Returns	UST	LIBOR
Total Inv Grade Fixed Income	2.30	0.07	-0.27	0.19	0.82	1.32	2.50	0.89	1.04
Intermediates	1.39	0.11	0.02	0.48	0.45	0.76	1.88	0.56	0.78
Fixed Mortgages	1.42	0.07	-0.04	0.72	0.62	0.82	2.15	0.69	0.78
Corporates	3.07	0.00	-0.53	1.18	2.44	3.07	4.30	2.44	2.52
Treasuries	2.40		-0.39	-0.79		0.57	1.59		0.18
Agencies	1.02	0.19	-0.03	-0.04	0.11	0.42	1.81	0.30	0.39
TIPs	1.48	-0.93	-1.33	0.33	1.34	1.78	1.82	0.39	0.43
CMBS	1.91	0.17	0.04	-0.54	0.06	0.45	1.75	0.24	0.49
3-month Tbills	0.50		-0.05	0.40		-0.08	0.90		-0.13
Fed funds effective	0.55		0.00	0.41		-0.07	0.97		-0.07
High Yield	0.96	-0.22	-0.35	2.84	2.73	3.01	3.82	2.51	2.65
Emerging Markets	1.26	-1.83	-2.32	2.15	3.44	4.16	3.34	1.55	1.75
Government/Credit	2.69	0.10	-0.24	-0.03	0.89	1.49	2.68	0.99	1.25
FTSE Russell Large Pension	4.35	0.11	-0.49	-0.71	1.23	1.88	3.68	1.34	1.39
FTSE Russell World Govt (USD)	2.70	0.48	0.18	-1.76	-0.02	0.39	0.95	0.47	0.57
Commodities (SPGSCI)	-5.11			8.08			2.55		
Commodities (CRB)	-3.92			6.81			2.62		
Commodities (Bloomberg)	-2.35			4.00			1.55		
Dow Jones Industrials	1.83			6.67			8.62		
S&P 500	1.70			9.06			10.92		
NASDAQ	0.18			12.49			12.70		
Russell 2000	-2.41			9.93			7.28		
FTSE	-2.29			10.27			7.75		
DAX	-3.79			9.62			5.46		
Nikkei	2.72			8.14			11.22		
Shanghai	-5.24			7.80			2.15		
Hang Seng	-7.82			9.05			0.52		
Emerging Markets	-4.16			11.74			7.13		

Note: Overseas equities expressed in USD terms

Source: FTSE Russell Index, Bloomberg, MSCI, Standard and Poors, FHN Financial

2019

	First Half			Second Half			2019		
		Duration Adjusted			Duration Adjusted			Duration Adjusted	
	Returns	UST	LIBOR	Returns	UST	LIBOR	Returns	UST	LIBOR
Total Inv Grade Fixed Income	6.11	1.04	0.43	2.50	0.89	1.04	8.76	1.94	1.47
Intermediates	4.12	0.62	0.22	1.88	0.56	0.78	6.07	1.18	1.00
Fixed Mortgages	4.19	0.05	-0.23	2.15	0.69	0.78	6.43	0.74	0.54
Corporates	9.86	3.16	2.39	4.30	2.44	2.52	14.57	5.68	4.97
Treasuries	5.18		-0.66	1.59		0.18	6.85		-0.48
Agencies	4.16	0.29	-0.04	1.81	0.30	0.39	6.04	0.59	0.35
TIPs	6.30	1.38	0.78	1.82	0.39	0.43	7.30	1.78	1.21
CMBS	6.47	1.47	1.05	1.75	0.24	0.49	8.29	1.81	1.54
3-month Tbills	1.19		-0.11	0.90		-0.13	2.09		-0.23
Fed funds effective	1.20		-0.10	0.97		-0.07	2.16		-0.16
High Yield	9.89	5.79	5.51	3.82	2.51	2.65	14.09	8.44	8.31
Emerging Markets	11.03	4.57	3.72	3.34	1.55	1.75	14.84	6.19	5.53
Government/Credit	6.83	1.41	0.84	2.68	0.99	1.25	9.51	2.40	2.09
FTSE Russell Large Pension	9.12	1.59	0.97	3.68	1.34	1.39	12.80	2.93	2.36
FTSE Russell World Govt (USD)	5.06	0.29	-0.16	0.95	0.47	0.57	6.00	0.76	0.41
Commodities (SPGSCI)	13.63			2.55			16.53		
Commodities (CRB)	6.62			2.62			9.41		
Commodities (Bloomberg)	3.83			1.55			5.44		
Dow Jones Industrials	15.40			8.62			25.34		
S&P 500	18.54			10.92			31.48		
NASDAQ	21.34			12.70			36.74		
Russell 2000	16.97			7.28			25.49		
FTSE	12.64			7.75			21.71		
DAX	16.58			5.46			22.95		
Nikkei	10.05			11.22			22.37		
Shanghai	21.16			2.15			23.76		
Hang Seng	13.05			0.52			13.64		
Emerging Markets	10.69			7.13			18.63		

Note: Overseas equities expressed in USD terms

Source: FTSE Russell Index, Bloomberg, MSCI, Standard and Poors, FHN Financial