

# Credit Strategy: Global Morning Walk

## US loans: Some cracks spreading

### Credit Strategy

Global

#### What's material over the last 24 hours?

Credit indices closed tighter (Main -2bp, Xover -9bp, CDX IG -1bp, HY +\$0.2) in line with equities as health-care companies led gains on the back of rising M&A activity including a multibillion dollar asset swap between Novartis and GlaxoSmithKline. On the earnings front, European company Koninklijke Philips beat estimates; US companies Regions Financial, Bank of NY Mellon, Xerox, Comcast, AT&T and Yum brands posted better than expected earnings, while McDonald's and Amgen missed estimates. Chinese growth momentum continued to slow as the April preliminary manufacturing PMI came below 50.0 but rose marginally to 48.3 (vs cons 48.3 and prior 48.0).

#### What does it mean for credit?

US Leveraged loans (LL) have started off the year posting just a 1.2% total return as compared with 3.2% for HY bonds. This comes as spreads in loans have tightened by only 3bp this year vs. -20bp in bonds. Fund flows have slowed in recent weeks with the asset class seeing marginal outflows last week for the first time since June 2012. Nevertheless, YTD flows into loans are still strong at 4.9% of AUM (\$7.6bn) vs. competing asset classes such as high yield at 1.3% of AUM (\$4.0bn). **The stabilization in interest rates and rally in longer-dated yields (5yr UST unchanged and 10yr UST -30bp YTD) is one major culprit for slowing fund flows and subpar returns, in our view. But to what degree does the modest performance and slowdown in demand reflect fundamental deterioration?**

This is not an easy question to answer with precision. That said, we have previously analysed the riskiness of the market along multiple dimensions in the context of trends in the LL new issuance market. Below we update our analysis using year-to-date trends (note the comparisons are versus prior full-year figures):

- **Refi-related issuance is down:** LL issuance is still robust at \$189bn this YTD, 9% below this time last year (Figure 2). However, refinancing activity is down (Figure 3), making up just 37% of issuance vs. closer to 50% in 2013. Refi-related issuance as a percentage of the total is still higher than trough levels at 19% seen in the prior cycle. We previously argued<sup>1</sup> that the loan index size had not been increasing drastically relative to HY bonds given the significant amount of refi-related supply; however, this is no longer the case as the outstandings in the loan index have increased 26% over the last 12 months vs. just 10% in HY bonds (Figure 4).
- **Quality of newly-issued loans is down:** The rating quality of newly issued loans has shifted lower from the upper tiers of the spectrum (Figure 7). BB and above issuance is down to 17% of the total from 24% in 2013 and 21% in the last cycle. However, B/CCC and below supply (including NR) is up to 17% versus 14% in 2013 and 35% in the last cycle. Alternatively, second-lien and cov-lite issuance has increased to all-time highs of 7% and 53% and of the total, respectively, versus 6% and 18% in the prior cycle. The increased amount of second-lien issuance is worrisome to us given its lower place in the cap structure although the figures remain in single digits. Comparatively, cov-lite loans empirically show little differentiation in terms of default and recovery rates and are more likely to extend the credit cycle.
- **Debt multiples are up slightly:** Leverage metrics for newly issued loans continue to creep higher, with first-lien leverage at 3.8x (vs 3.6x in '13 and 3.6x in '07) and total leverage at 4.9x (vs 4.7x in '13 and 4.9x in '07). These are now in-line with the prior cycle, although they are still below those witnessed in earlier cycles (e.g., 5.6x in '97 and greater than 7x in the late '80s, Figure 8). (Continued on Page 2)

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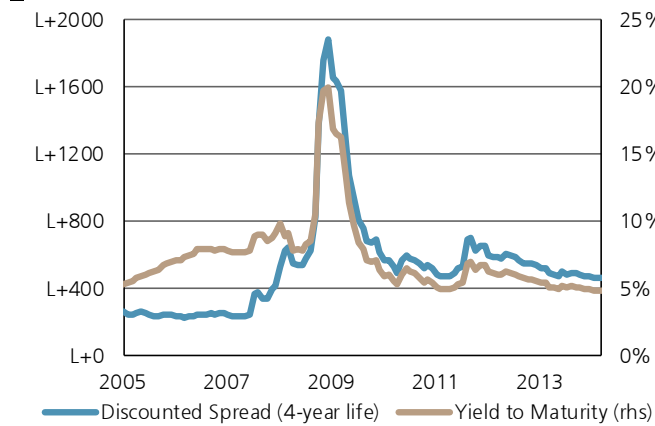
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<sup>1</sup> "Global Credit Navigator," M. Mish, Oct. 16, 2013

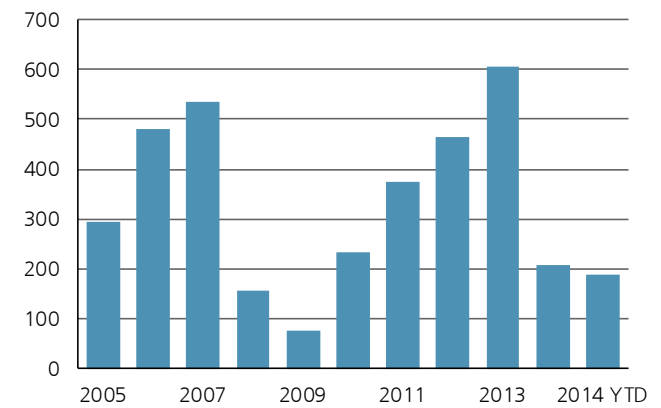
In short, fundamental deterioration in LL new issues across a number of metrics likely explains some, but not all, of the pullback in investor demand. While the market appears less excessive in comparison to prior cycles on use of proceeds and ratings metrics, signs of overheating are suggestive of the trends in leverage and riskier structures.

Figure 1: Lev. loan spreads vs. yields



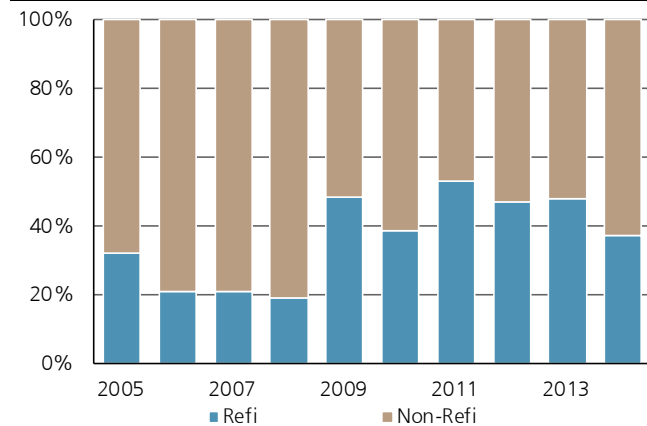
Source: UBS, S&P LCD

Figure 2: Lev. loan gross issuance (\$ bn)



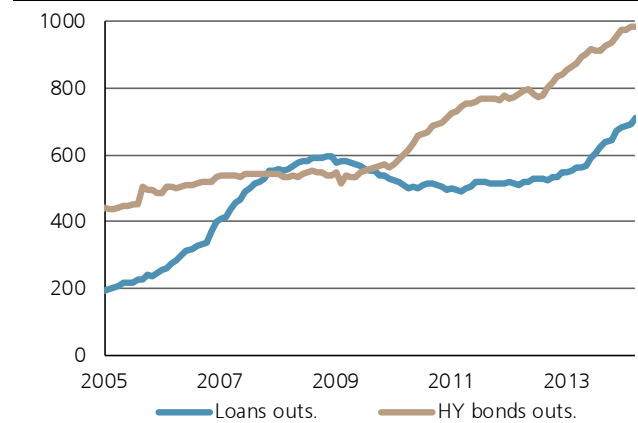
Source: UBS, S&P LCD

Figure 3: Lev. loan issuance by use of proceeds (\$ bn)



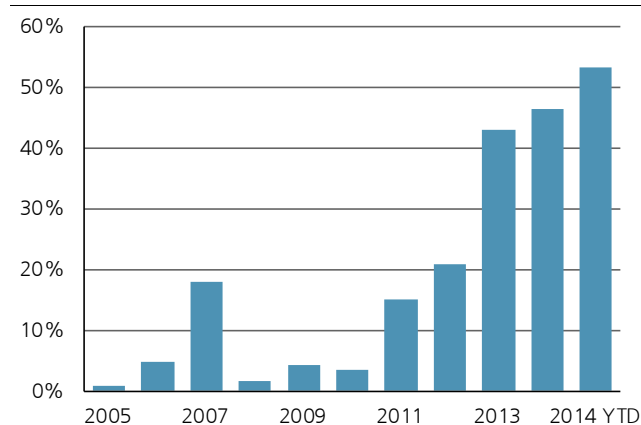
Source: UBS, S&P LCD

Figure 4: Amount outstanding of loans vs. bonds (\$ bn)



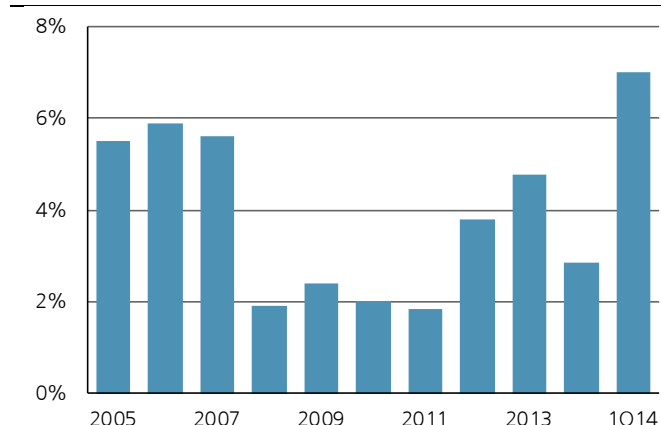
Source: UBS, S&P LCD, Yield Book

**Figure 5: Cov-lite issuance proportion**



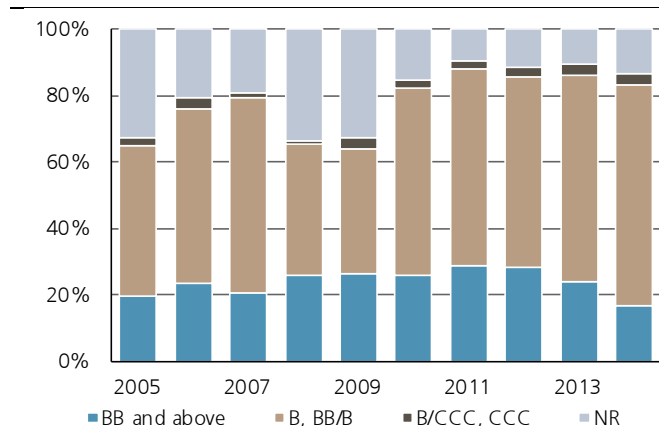
Source: UBS, S&P LCD

**Figure 6: 2<sup>nd</sup> lien issuance proportion**



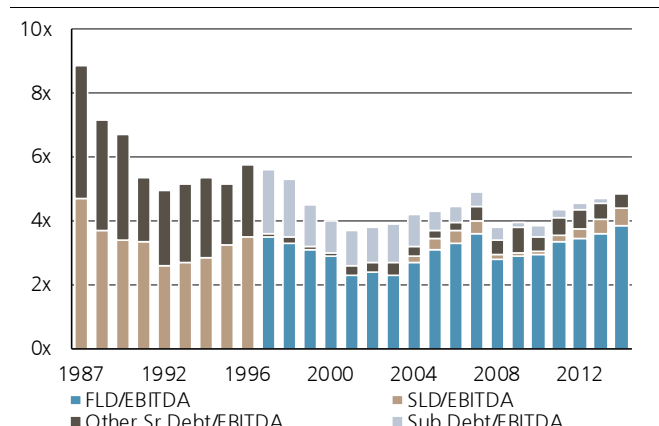
Source: UBS, S&P LCD

**Figure 7: Lev. Loan issuance by corporate family rating**



Source: UBS, S&P LCD

**Figure 8: Average debt multiples for lev. loans**



Source: UBS, S&P LCD

### Things to watch

The Bank of England will release minutes from its April 9-10 meeting today. The Euro-zone manufacturing PMI in April is forecasted to remain unchanged at 53.0, while the services index is anticipated to rise from 52.2 to 52.5.

In the US, manufacturing PMI is expected to rise in April to 56.0 from 55.5 in the previous month.

Figure 9: Market Update

| Chg   | CDX IG | CDX HY (\$) | iTrx Main | iTrx XO | Fin Snr | Fin Sub | US IG | US Fin | US Non Fin | US HY | iBoxx € Corp | iBoxx € Fin | iBoxx € Non Fin | iBoxx € HY | SPC S&P 500* | SX5E Euro-Stoxx* | VIX*  | 10y Tsy | 10y Bund | 10y UK Gilt |
|-------|--------|-------------|-----------|---------|---------|---------|-------|--------|------------|-------|--------------|-------------|-----------------|------------|--------------|------------------|-------|---------|----------|-------------|
| Close | 65     | 107         | 70        | 277     | 78      | 120     | 100   | 95     | 102        | 387   | 117          | 126         | 111             | 333        | 1880         | 3200             | 13    | 2.71    | 1.53     | 2.71        |
| 1d    | -1     | 0           | -2        | -9      | -2      | -2      | 0     | -1     | 0          | -1    | -1           | -1          | -1              | -3         | 0.4%         | 1.4%             | -0.5  | 0.00    | 0.02     | 0.04        |
| 1w    | -4     | 1           | -5        | -18     | -5      | -3      | -1    | 0      | -2         | -11   | -2           | -2          | -2              | -6         | 2.0%         | 3.5%             | -15.5 | 0.08    | 0.06     | 0.11        |
| 1m    | -5     | -0.5        | -9        | -27     | -20     | -30     | -6    | -4     | -7         | -7    | -5           | -8          | -3              | -13        | 0.7%         | 3.3%             | -12.1 | -0.03   | -0.10    | -0.04       |

Source: UBS, Markit, Bloomberg, Yieldbook; \*- %Change

Figure 10: CDS Credit Indices

| 22-Apr-2014             | CDS 5y  |        |        |        |
|-------------------------|---------|--------|--------|--------|
| Index                   | Current | 1d chg | 1w chg | 1m chg |
| CDX IG                  | 65      | -1     | -3     | -6     |
| CDX HY (\$)             | \$107.3 | \$0.2  | \$0.5  | -\$0.5 |
| iTraxx Main             | 70      | -2     | -2     | -11    |
| iTraxx XO               | 277     | -9     | -6     | -33    |
| Fin Snr                 | 78      | -2     | -3     | -22    |
| Fin Sub                 | 120     | -2     | -2     | -33    |
| iTraxx Asia ex Japan IG | 123     | -1     | -2     | -17    |

Source: UBS, Markit

Figure 11: Credit Index Skew

| 22-Apr-2014             | Skew*   |        |        |        |
|-------------------------|---------|--------|--------|--------|
| Index                   | Current | 1d chg | 1w chg | 1m chg |
| CDX IG                  | -3      | -1     | -1     | -3     |
| CDX HY (\$)             | \$0.0   | \$0.1  | \$0.5  | \$0.4  |
| iTraxx Main             | -2      | -1     | -1     | -4     |
| iTraxx XO               | -3      | -4     | -5     | -7     |
| Fin Snr                 | 0       | 0      | -1     | -5     |
| Fin Sub                 | -1      | 1      | 2      | -7     |
| iTraxx Asia ex Japan IG | 14      | 0      | -1     | -7     |

Source: UBS, Markit; \* Skew = Index - Intrinsic

Figure 12: Credit Index Cash

| 22-Apr-2014             | Current | 1d chg | 1w chg | 1m chg | Current      | 1d chg | 1w chg | 1m chg |
|-------------------------|---------|--------|--------|--------|--------------|--------|--------|--------|
| OAS                     |         |        |        |        | YTW          |        |        |        |
| US IG                   | 117     | -1     | -2     | -5     | 2.10         | 0.01   | 0.00   | -0.10  |
| US IG Fins              | 126     | -1     | -2     | -8     | 2.07         | 0.01   | 0.00   | -0.14  |
| US IG Industrials       | 111     | -1     | -2     | -3     | 2.12         | 0.01   | 0.00   | -0.08  |
| US HY                   | 333     | -3     | 0      | -13    | 4.01         | 0.00   | 0.02   | -0.18  |
| Annual Benchmark Spread |         |        |        |        | Annual Yield |        |        |        |
| iBoxx € IG              | 118     | 0      | 0      | -4     | 2.07         | 0.02   | -0.02  | -0.14  |
| iBoxx € Fin             | 127     | 0      | 0      | -7     | 2.04         | 0.02   | -0.02  | -0.18  |
| iBoxx € Non Fin         | 112     | 0      | 0      | -1     | 2.09         | 0.02   | -0.02  | -0.11  |
| iBoxx € HY              | 340     | 0      | 6      | -9     | 4.03         | 0.02   | 0.05   | -0.18  |

Source: UBS, Markit, Yieldbook

**Figure 13: CDS Sector Movements**

| 21-Apr-2014                | CDX IG |     |    |     |    | CDX HY |      |     |     |      | iTraxx MAIN |     |    |     |     | iTraxx XO |     |    |     |     |
|----------------------------|--------|-----|----|-----|----|--------|------|-----|-----|------|-------------|-----|----|-----|-----|-----------|-----|----|-----|-----|
| Sector Changes (bp)        | #      | Avg | 1d | 1wk | 1m | #      | Avg  | 1d  | 1wk | 1m   | #           | Avg | 1d | 1wk | 1m  | #         | Avg | 1d | 1wk | 1m  |
| Consumer Discretionary     | 32     | 76  | 0  | -1  | 3  | 36     | 556  | 2   | 54  | 95   | 26          | 71  | 0  | 1   | 0   | 12        | 270 | 0  | 5   | -2  |
| Consumer Staples           | 14     | 81  | -2 | -7  | -2 | 6      | 343  | -3  | -10 | -9   | 18          | 71  | 0  | 1   | 2   | 1         | 287 | 0  | 1   | -24 |
| Energy                     | 9      | 84  | -1 | -3  | -1 | 6      | 373  | -3  | -6  | 6    | 6           | 53  | 0  | 1   | 1   | 1         | 209 | -1 | 6   | -22 |
| Financials                 | 19     | 74  | 0  | -1  | 3  | 12     | 341  | -1  | 9   | 54   | 27          | 83  | 0  | -1  | -10 | 1         | 302 | 0  | 5   | -4  |
| Health Care                | 10     | 45  | 0  | 0   | -1 | 4      | 256  | -3  | -2  | 49   | 3           | 40  | 0  | 0   | -1  | 3         | 323 | 1  | 0   | -49 |
| Industrials                | 16     | 40  | 0  | -1  | -1 | 7      | 229  | -1  | -2  | 19   | 13          | 79  | 0  | 1   | -3  | 17        | 292 | 0  | 6   | -14 |
| Information Technology     | 7      | 78  | 0  | 0   | 2  | 11     | 296  | -5  | -1  | 12   | -           | -   | -  | -   | -   | 4         | 249 | 0  | 9   | -12 |
| Materials                  | 10     | 103 | -5 | -5  | -2 | 9      | 251  | -1  | -1  | 5    | 8           | 86  | 0  | 1   | -1  | 11        | 414 | 0  | 0   | -4  |
| Telecommunication Services | 2      | 55  | -1 | -1  | -9 | 4      | 249  | -4  | -9  | -9   | 10          | 76  | 0  | -1  | 0   | 9         | 303 | 0  | 7   | -10 |
| Utilities                  | 6      | 52  | 0  | 0   | 2  | 5      | 7245 | 121 | 304 | -611 | 14          | 75  | 0  | 0   | -3  | 1         | 168 | 0  | 3   | -15 |
| Total/Theoretical Sprd     | 125    | 69  | -1 | -2  | 6  | 100    | 340  | -1  | 1   | 29   | 125         | 73  | 0  | 0   | 1   | 60        | 285 | 0  | 0   | 34  |

Source: UBS, Markit

**Figure 14: Daily CDS Winners/Losers**

| WINNERS               |      |        |         |        | LOSERS             |      |        |         |        |
|-----------------------|------|--------|---------|--------|--------------------|------|--------|---------|--------|
| Issuer                |      | 1d chg | 1wk chg | 1m chg | Issuer             |      | 1d chg | 1wk chg | 1m chg |
| CDX (IG)              |      |        |         |        | CDX (IG)           |      |        |         |        |
| Newmont Mining        | 156  | -38    | -39     | -43    | Pfizer.            | 28   | +4     | +4      | +3     |
| Safeway               | 251  | -28    | -72     | -44    | Block Financial    | 161  | +3     | -2      | +23    |
| Time Warner Cable     | 84   | -8     | -8      | -3     | Direct TV Holdings | 100  | +1     | +3      | +3     |
| Barrick Gold          | 161  | -6     | -3      | -5     | Xerox              | 105  | +1     | +0      | +5     |
| Genworth Holdings     | 101  | -4     | -6      | -20    | Beam               | 38   | +1     | +0      | -5     |
| CDX (HY)              |      |        |         |        | CDX (HY)           |      |        |         |        |
| JC Penney             | 1329 | -34    | +53     | +222   | RadioShack         | 6292 | +45    | +1625   | +2744  |
| AMD                   | 446  | -34    | -22     | -25    | Sears Roebuck      | 1303 | +12    | +83     | +283   |
| First Oil             | 904  | -16    | -21     | -26    | The Jones Group.   | 571  | +9     | +42     | +128   |
| MBIA Insurance        | 863  | -10    | -14     | +81    | Parker Drilling Co | 376  | +4     | +14     | +67    |
| Clear Channel         | 831  | -10    | -30     | -23    | Boyd Gaming        | 429  | +3     | +11     | +71    |
| iTraxx (Main)         |      |        |         |        | iTraxx (Main)      |      |        |         |        |
| ITV PLC               | 107  | -1     | -2      | -8     | BBVA               | 113  | +0     | -4      | -21    |
| Electricite de France | 60   | -0     | +0      | +1     | Publicis Groupe    | 37   | +0     | +0      | -2     |
| Statoil               | 36   | -0     | +1      | +2     | Anglo American     | 167  | +0     | +10     | -14    |
| Banco Santander       | 109  | -0     | -1      | -19    | Muenchener Rueck   | 42   | +0     | +1      | -6     |
| Brit American Tobacco | 42   | -0     | +0      | -2     | Siemens            | 42   | +0     | +0      | +3     |
| iTraxx (XO)           |      |        |         |        | iTraxx (XO)        |      |        |         |        |
| ArcelorMittal Finance | 269  | -0     | +7      | -14    | Galp Energia       | 209  | +7     | +4      | -32    |
| Virgin Media Finance  | 296  | -0     | +11     | +2     | UCB                | 161  | +2     | +3      | -46    |
| Play Finance 1        | 354  | -0     | +5      | -27    | Rexel              | 280  | +2     | +9      | +1     |
| Unilabs SubHolding    | 568  | -0     | -13     | -75    | Norske Skog        | 2036 | +2     | -71     | +25    |
| Dixons Retail         | 205  | -0     | +4      | +3     | Abengoa            | 523  | +1     | +0      | +16    |

Source: UBS, Markit; Data as of 21<sup>st</sup> Apr

**Figure 15: Today's Earning Releases**

| Time*   | US                      | Estimate | Guidance | Time*    | Europe                          | Estimate | Guidance |
|---------|-------------------------|----------|----------|----------|---------------------------------|----------|----------|
| Bef-mkt | Boeing Co/The           | 1.54     | --       | 6:00 AM  | TeliaSonera AB                  | 0.91     | --       |
| Bef-mkt | Dow Chemical Co/The     | 0.71     | --       | 6:30 AM  | Telefonaktiebolaget LM Ericsson | 0.92     | --       |
| Bef-mkt | Gannett Co Inc          | 0.46     | --       | 10:30 AM | Kone OYJ                        | 0.27     | --       |
| Bef-mkt | Northrop Grumman Corp   | 2.15     | --       | 11:00 AM | Stora Enso OYJ                  | 0.11     | --       |
| Bef-mkt | Procter & Gamble Co/The | 1.02     | --       | Aft-mkt  | Investor AB                     | --       | --       |
| Bef-mkt | Ryder System Inc        | 0.87     | 0.86     | Aft-mkt  | NXP Semiconductor NV            | 0.91     | 0.87     |
| Bef-mkt | Reynolds American Inc   | 0.74     | --       | Aft-mkt  | Bankinter SA                    | 0.10     | --       |
| 7:00 AM | Ingersoll-Rand PLC      | 0.26     | 0.26     | Aft-mkt  | Banco BPI SA                    | --       | --       |
| 8:00 AM | Norfolk Southern Corp   | 1.15     | --       |          |                                 |          |          |
| Aft-mkt | SUPERVALU Inc           | 0.15     | --       |          |                                 |          |          |

Source: UBS, Bloomberg \*US Time Zone – EST and Europe Time Zone – London Time; Amounts in local currency

**Figure 16: Today's Key Economic Events**

| Time*    | US                        | Survey | Prior | Time*   | Europe                               | Survey | Prior |
|----------|---------------------------|--------|-------|---------|--------------------------------------|--------|-------|
| 7:00 AM  | MBA Mortgage Applications | --     | 4.3%  | 8:30 AM | Germany Markit/BME Composite PMI     | 54.0   | 54.3  |
| 10:00 AM | New Home Sales MoM        | 2.3%   | -3.3% | 8:30 AM | Germany Markit/BME Manufacturing PMI | 53.8   | 53.7  |
|          |                           |        |       | 8:30 AM | Germany Markit Services PMI          | 53.3   | 53.0  |
|          |                           |        |       | 9:00 AM | Eurozone Markit Manufacturing PMI    | 54.0   | 54.3  |
|          |                           |        |       | 9:00 AM | Eurozone Markit Services PMI         | 53.8   | 53.7  |
|          |                           |        |       | 9:00 AM | Eurozone Markit Composite PMI        | 53.3   | 53.0  |
|          |                           |        |       | 9:30 AM | UK BOE Releases Minutes from April   | --     | --    |

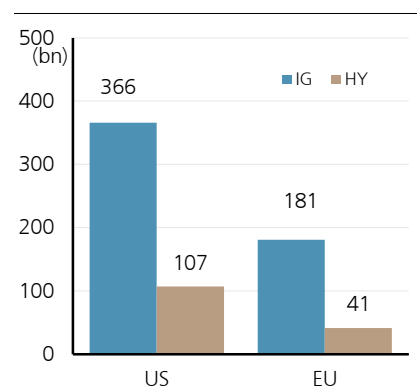
Source: UBS, Bloomberg \*US Time Zone – EST and Europe Time Zone – London Time; Amounts in local currency

**Figure 18: Yesterday's Global Corporate Bond Issuance**

| Principal (mm) | Issuer                   | Cpn (%) | Maturity  | Moody's | S&P | Spd (bp) |
|----------------|--------------------------|---------|-----------|---------|-----|----------|
| 7,350          | USD Investment Grade     |         |           |         |     |          |
| 2,000          | Tencent Holdings Ltd     | 3.375   | 5/2/2019  | A3      | NR  | 165      |
| 1,000          | Glencore Funding Llc     | 4.625   | 4/29/2024 | Baa2    | NR  | 195      |
| 1,000          | Glencore Funding Llc     | 3.125   | 4/29/2019 | Baa2    | NR  | 145      |
| 850            | Fifth Third Bancorp      | 2.375   | 4/25/2019 | A3      | NR  | 65       |
| 650            | Fifth Third Bancorp      | 1.350   | 6/1/2017  | A3      | NR  | 45       |
| 500            | Tencent Holdings Ltd     | 2.000   | 5/2/2017  | A3      | NR  | 115      |
| 500            | Sinochem Offshore Capita | 3.250   | 4/29/2019 | A3      | A-  | 155      |
| 500            | Korea Expressway Corp    | 1.625   | 4/28/2017 | A1      | A+  | 80       |
| 350            | Progressive Corp         | 4.350   | 4/25/2044 | A1      | A+  | 88       |
| 1,300          | USD High Yield           |         |           |         |     |          |
| 1,300          | Morgan Stanley           | 5.450   | Perp      | Ba3     | BB+ | NA       |
| 0              | EUR Investment Grade     |         |           |         |     |          |
| NA             |                          |         |           |         |     |          |
| 0              | EUR High Yield           |         |           |         |     |          |
| NA             |                          |         |           |         |     |          |
| 1,250          | GBP Investment Grade     |         |           |         |     |          |
| 1,250          | Rabobank Nederland       | FRN     | 4/29/2015 | Aa2     | NR  | NA       |
| 0              | GBP High Yield           |         |           |         |     |          |
| NA             |                          |         |           |         |     |          |

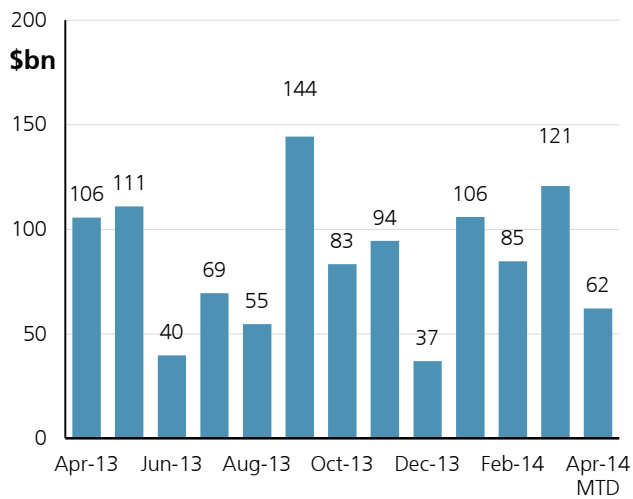
Source: UBS, Bloomberg; Amounts in local currency

**Figure 17: 2014 YTD Issuance Summary**



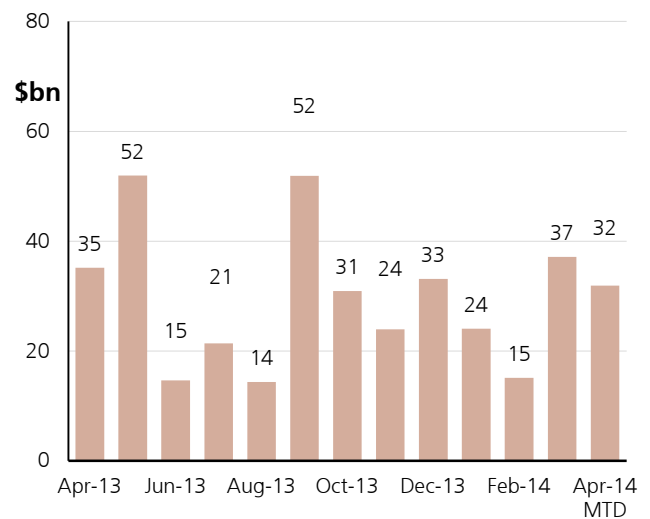
Source: UBS, Bloomberg; Amounts in local currency

**Figure 19: USD – IG Monthly Issuance**



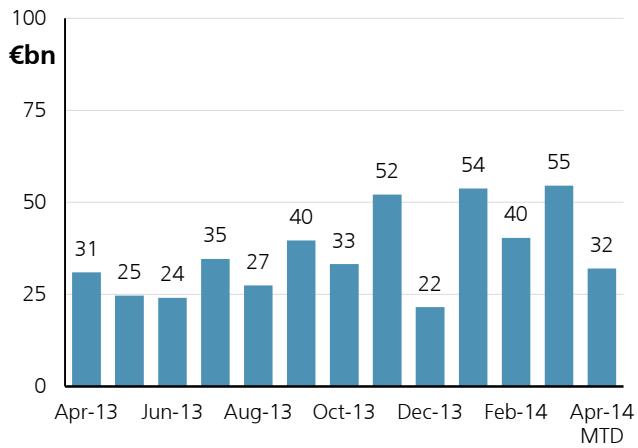
Source: UBS, Bloomberg

**Figure 20: USD – HY Monthly Issuance**



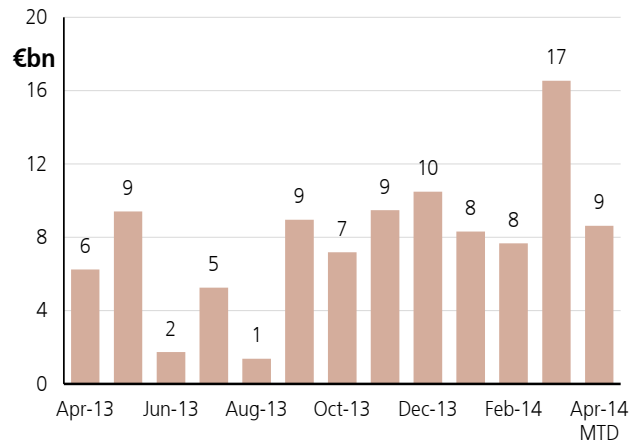
Source: UBS, Bloomberg

**Figure 21: EUR – IG Monthly Issuance**



Source: UBS, Bloomberg

**Figure 22: EUR – HY Monthly Issuance**



Source: UBS, Bloomberg

**Figure 23: Credit Rating Actions**

| Issuer                                    | Rating Type              | Agency  | Curr Rtg | Last Rtg | Outlook    |
|---|--------------------------|---------|----------|----------|------------|
| <b>US</b>                                 |                          |         |          |          |            |
| AIMCO Properties LP                       | Outlook                  | S&P     |          |          | Positive   |
| Allergan Inc/United States                | Outlook                  | Moody's |          |          | Negative   |
| Apartment Investment & Management Co      | Outlook                  | S&P     |          |          | Positive   |
| Charlotte Russe Inc                       | Outlook                  | Moody's |          |          | Stable     |
| Everest Holdings LLC                      | LT Local Issuer Credit   | S&P     | B-       |          | Positive   |
| Guitar Center Holdings Inc                | LT Corp Family Rating    | Moody's | B3       | Caa2 *+  | Stable     |
| Legacy Vulcan Corp                        | Outlook                  | Moody's |          |          | Stable     |
| Mead Johnson Nutrition Co                 | LT Local Issuer Credit   | S&P     | BBB+     | BBB      | Stable     |
| TCH-2 Holdings LLC                        | LT Corp Family Rating    | Moody's | B3       |          | Stable     |
| Valeant Pharmaceuticals International Inc | Outlook                  | Moody's |          |          | Developing |
| Vulcan Materials Co                       | Spec Grade Liquidity Rtg | Moody's | SGL-2    | SGL-3    | Stable     |
| <b>Europe</b>                             |                          |         |          |          |            |
| Brunswick Rail Finance Ltd                | Senior Unsecured Debt    | Moody's | B1       | Ba3      | Negative   |
| Dublin Airport Authority PLC              | Outlook                  | S&P     |          |          | Positive   |
| Exova Group PLC                           | LT Local Issuer Credit   | S&P     | BB       | B        | Stable     |

Source: UBS, Bloomberg



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|                             | Time Horizon | UBS Terminology    | Expectation                                  | Definition   |
|-----------------------------|--------------|--------------------|--|--|
| Sector recommendations      | 3 months     | OVERWEIGHT         | outperform                                   | Sector is anticipated to <expectation> other sectors in the local currency investment universe* over a three-month horizon   |
|                             |              | MARKET WEIGHT      | perform in line                              |  |
|                             |              | UNDERWEIGHT        | underperform                                 |  |
| Company credit fundamentals | 6 months     | IMPROVING          | improve                                      | Credit fundamentals of the company are anticipated to <expectation> over the next six months   |
|                             |              | STABLE             | remain stable                                |  |
|                             |              | DETERIORATING      | deteriorate                                  |  |
| Company / bond              | 3 months     | BUY                | outperform                                   | Company/Bond is anticipated to <expectation> other companies/bonds within a given peer group in the local currency investment universe* over a three-month horizon |
|                             |              | HOLD               | perform in line                              |  |
|                             |              | SELL               | underperform                                 |  |
| Credit Default Swaps        | 3 months     | BUY protection     | widen by 5 bps or more                       | CDS level anticipated to <expectation>   |
|                             |              | NEUTRAL protection | neither widen nor tighten by more than 5 bps |  |
|                             |              | SELL protection    | tighten by 5 bps or more                     |  |
| All recommendation types    | N/A          | Under Review       | N/A  | The recommendation is under review and a new recommendation may be published within the next 18 days   |

Note: Recommendations for periods under 3 months are defined as 'Tactical', as in Tactical Buy or Tactical Sell.

\* Europe - iBoxx NonSovereign € and NonGilt £ universe measured on a curve-adjusted, excess return basis

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