Morgan Stanley

INVESTMENT MANAGEMENT

Global Fixed Income Bulletin

# Can It, Will It, Continue?

**FIXED INCOME** | GLOBAL FIXED INCOME TEAM | MACRO INSIGHT | JULY 2020

Asset markets performed well in June. Equities rallied, spreads tightened; and the USD weakened. However, for the first time in months, news on the virus front was not all positive. Rising infection rates in the U.S. (and globally) detracted from the uniformly good news on the economic data front, where the data beat expectations across the board. Once again, government bond yields remained exceptionally well-anchored, hardly moving over the month and quarter. Indeed, 10-year U.S. Treasury yields ended the quarter basically unchanged (though returns are up 11% year to date).[1] While this does not necessarily sound positive, government bond yields simply remaining unchanged when economic data surpassed the most bullish forecasts, and high-yield and equities posted double-digit returns, is an achievement. Indeed, anchoring government bond yields and intervening in credit markets (both corporate and mortgage) is the central bank playbook. So far, it has been a winning strategy. Whether or not they win the war will require progress on the health front, for an economy cannot be normal if people cannot work or feel safe spending money.

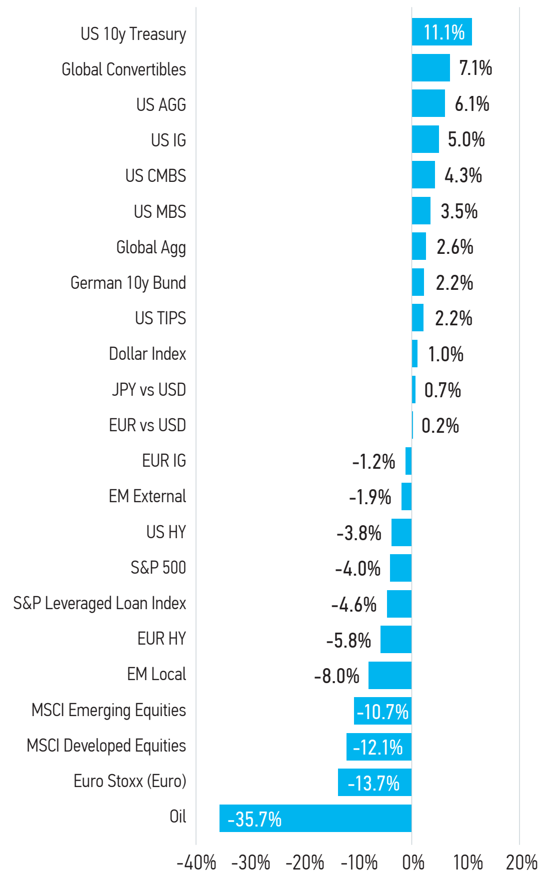
June did not see any new policy initiatives, but previously announced programs had a significant impact on the market. The Federal Reserve's (Fed) Term Asset-Backed Loan Facility (TALF) program (previously announced) was launched, but given the compression in AAA-rated Asset Backed Securities (ABS) spreads in the second quarter, it is not clear that the Fed will actually do much lending (the Fed achieved its goals without spending/lending a penny)! That's credibility. Even if TALF funds do not end up investing much money, the existence of the program was the key factor in driving spreads lower. In Europe, there was a large EUR 1.35tn take-up of the European Central Bank's (ECB) TLTRO III facility, which enables banks to borrow money from the ECB TLTRO for as little as -1%.[2] While the ECB has been running TLTRO funding schemes

[1] Source: Bloomberg, as of 6/30/2020

[2] Source: The European Central Bank, as of 6/30/2020

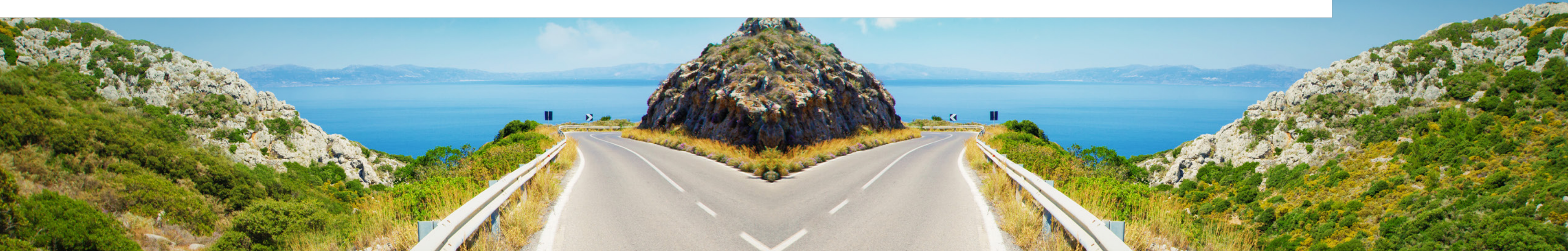
**DISPLAY 1**

**Asset Performance Year-to-Date**




Note: USD-based performance. Source: Bloomberg. Data as of June 30, 2020. 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 and 7 for index definitions.





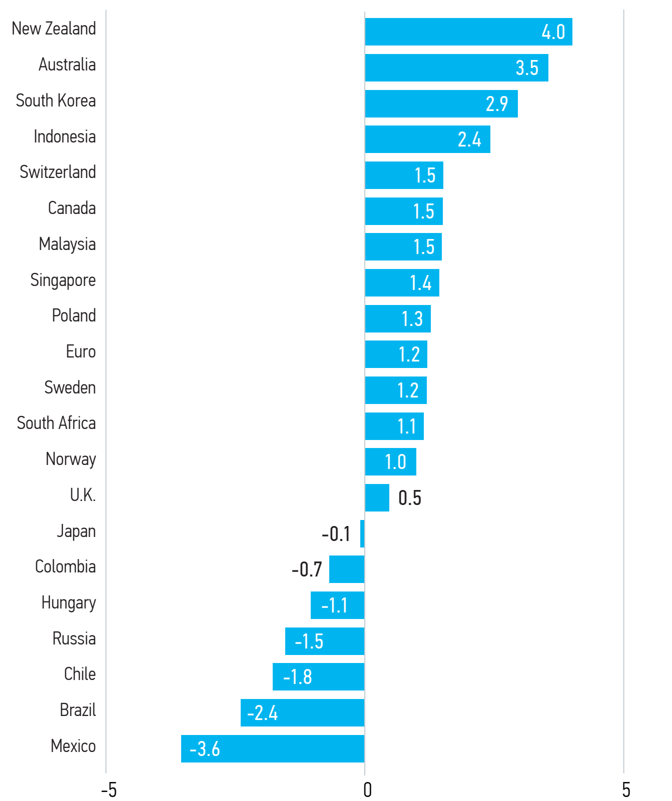
since 2012; what is significant about the latest scheme is not only how cheap the borrowing cost is—banks are literally being paid 1% p.a. to borrow!—but also in just how much banks found they could borrow given the conditions attached to the program. The high take-up and cheap cost is a boost to European bank profitability, the economy and the financial assets banks might buy. Looking forward, central banks have earned credibility such that it seems they only need to threaten to do more to get markets to move in the desired direction. Markets, no doubt, believe in the "do whatever it takes" aura currently surrounding central banks. Policy dominance remains.

Fiscal actions have also been key in supporting the nascent economic recovery. Transfer payments have bolstered incomes, fostering spending as households come out of lockdowns. While there are questions about some of the U.S. income support programs ending at the end of July, we are confident the U.S. Congress will renew or initiate new programs to keep incomes flowing to those who are not currently working. In Europe, there is continued wrangling about the EU Recovery Fund, with not all countries happy with loosening the purse strings too much, but the direction is very clearly moving toward allowing individual governments to spend more if they choose and greater fiscal support on the EU level. We expect monetary policy will continue to be highly stimulative, helping to allay any investor concerns about governments' increased borrowing needs.

**DISPLAY 2**

**Currency Monthly Changes Versus U.S. Dollar**

*(+ = appreciation)*




Source: Bloomberg. Data as of June 30, 2020. Note: Positive change means appreciation of the currency against the USD.

While June and the second quarter generated stellar returns, risks abound. An alarming rise in infection rates in several large U.S. states and outbreaks in countries exiting lockdowns risk backsliding in the economy. The U.S. presidential election and U.S./Chinese relations represent another set of issues independent of the pandemic. But, on the positive side, progress on vaccines and/or therapeutics could generate upside economic and financial surprises. There is lots to think about. We remain optimistic that, despite rising infection rates, large-scale lockdowns will not be reimposed.

**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** | 0.66 | 0 | | |
| **United Kingdom** | 0.17 | -1 | -48 | -2 |
| **Germany** | -0.45 | -1 | -111 | -1 |
| **Japan** | 0.03 | +2 | -63 | +2 |
| Australia | 0.87 | -2 | 21 | -2 |
| Canada | 0.53 | -1 | -13 | -1 |
| New Zealand | 0.93 | +10 | 27 | +10 |
| **EUROPE** | | | (Spread over Bunds) | |
| France | -0.11 | -3 | 34 | -3 |
| Greece | 1.21 | -31 | 167 | -31 |
| Italy | 1.26 | -22 | 171 | -21 |
| Portugal | 0.48 | -3 | 93 | -2 |
| Spain | 0.47 | -10 | 92 | -9 |
| **EM** | **INDEX LOCAL YIELD (%)** | **MTD CHANGE (BPS)** | **USD SPREAD (BPS)** | **MTD CHANGE (BPS)** |
| **EM External Spreads** | | | 432 | -30 |
| **EM Local Yields** | 4.72 | +1 | | |
| **EM Corporate Spreads** | | | 416 | -49 |
| Brazil | 5.31 | -12 | 380 | -12 |
| Colombia | 5.52 | +16 | 298 | +7 |
| Hungary | 1.53 | -2 | 175 | -14 |
| Indonesia | 7.23 | -21 | 241 | -9 |
| Mexico | 5.97 | -30 | 312 | -5 |
| Peru | 4.37 | +8 | 149 | -6 |
| Philippines | 4.03 | -27 | 166 | -1 |
| Poland | 0.83 | +9 | 51 | -22 |
| Russia | 5.55 | +23 | 211 | +11 |
| South Africa | 10.10 | +28 | 512 | -42 |
| Turkey | 10.51 | -81 | 596 | -46 |
| Venezuela | – | – | 29615 | +3637 |
| **CREDIT** | | | **SPREAD (BPS)** | **MTD CHANGE (BPS)** |
| **U.S. IG** | | | 150 | -24 |
| **EUR IG** | | | 149 | -19 |
| **U.S. HY** | | | 626 | -11 |
| **EUR HY** | | | 514 | -35 |
| **SECURITIZED** | | | | |
| **Agency MBS** | | | 109 | -8 |
| **U.S. BBB CMBS** | | | 740 | -105 |

Positive Neutral Negative

Source: Bloomberg, JP Morgan. Data as of June 30, 2020.

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# Fixed Income Outlook

Our outlook on fixed income continues to range from constructive to moderately bullish. But there are some headwinds. The V-shaped economic bounce happened, but it is likely to flatten out. A bounce is not a trend. Economic data is not likely to be as surprisingly good going forward (it might be, but we should not count on it). Valuations are more challenging than last month. We are also likely to see smaller improvements in employment and output relative to now improved expectations. Moreover, even with improvements on many fronts, several important industries remain shuttered or operating well below potential (travel, leisure, and entertainment). This will slow aggregate gains. On the positive side of the ledger, people have money and want to spend it; companies want to hire and increase/restore production. Lastly, we notice potential risks in the form of a bungled reopening of economies amid a worse-than-expected second wave of infections, as well as heightened U.S./China tensions (Hong Kong and trade issues) and geopolitical noise in other regions (Russia/India versus China) weighing on risk sentiment.

Markets did exceptionally well in June and in the second quarter. The reason was part better data, part market positioning, part policy and part hope on the pandemic front. Can it, will it, continue? We believe it can, but at a slower pace. Most importantly, policy support remains robust and is poised to do more if necessary. There is no doubt that policy is in a "do whatever it takes" mode. Do not underestimate the capabilities and willingness of central banks to provide effectively unlimited support in the months ahead.

As such, government bond yields should and need to remain low and stable. Volatility has steadily fallen on the back of better economic data, fiscal transfer payments, improved virus control (at least outside the U.S. and Brazil), and quantitative easing. Any rise in longer-term yields will likely result from a much improved economic and pandemic outlook. But, even then, with inflation well below target, and the Fed, for example, likely embarking on an outcome-based policy framework, meaning no tightening of policy until policy objectives are achieved, suggesting repression of risk premia and rate expectations for years to come. The risk to this view is a scientific breakthrough that ends the pandemic.

We remain cautiously constructive on emerging market (EM) debt. Large-scale policy actions in developed countries provide a strong backdrop for EM debt. EM countries have also provided unprecedented monetary and fiscal support to their nations, helping cushion the blow from the pandemic. Unusually for EM, investors have not punished countries for these expansionary policy measures (say, through weakening the currency or pulling out funds), even where the underlying macro fundamentals are weak. It seems there is a broad consensus that the correct policy response at present is to be accommodative. Valuations are now less compelling given the second quarter rally, but returns have lagged those in developed markets, particularly in those sectors under the developed market policy umbrella. Reopening momentum is strong in Asia and eastern Europe. Latin America faces more challenges due to slow policy response to the virus in terms of health care policy. The very strong recovery in China is also supportive of EM. The biggest moves in EM rates are most likely behind us, but we still see value in selective external debt and currencies.

Credit markets also continue to perform well. Policy support should continue (e.g., Fed and ECB buying), economic data is on an upswing, and supply should diminish relative to the record pace of the first half of the year. Most of the economic losses should prove transitory, and as such will not be meaningfully negative for corporate valuations. Indeed, businesses continue to implement risk-reduction strategies through asset sales, dividend cuts and reduced capex. As economies improve, we expect corporate performance to improve meaningfully, with short-term corporate losses and higher leverage being less important, though important nonetheless for differentiating outperforming businesses. Barring any jarring negative economic and pandemic news, spreads on both investment grade and high yield bonds should grind tighter over the remainder of the year. After the recent rally, some consolidation while waiting for additional insight into the U.S. outbreaks would not be surprising.

Recent trends in securitized fixed income continued in June with strong, steady performance. Given the tightening in AAA spreads, there appears to be a limited upside. However, lower-rated classes, particularly BBBs and BBs, still have significant room to tighten further, in our opinion. While we've seen some spread recovery over the past two months, lower-rated securitized spreads remain much wider than February levels and have lagged the recoveries experienced by the corporate credit sectors. Fundamental data remains critical, but so far the performance deterioration has been very mild for most sectors and far better than expectations. Agency MBS performance will likely remain muted, and we continue to underweight this sector.

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| | MONTHLY REVIEW | OUTLOOK |
|---|---|---|
| **Developed Market (DM) Rate/Foreign Currency (FX)** | June marked the end of a historic quarter and first half of the year across asset classes and regions, as many countries within the developed markets continued on the path of economic reopening. Generally, economic data was better than expected, with survey data in particular surprising to the upside. While some areas saw an uptick in coronavirus cases, other areas in the developed economies continued to see a decline. A key exception is the higher infection rate in some large U.S. states, although even here there was some good news in that the mortality rate is a lot lower than in previous breakouts (possibly because it has mainly been a younger demographic which has been infected). | We continue to expect monetary policy to remain accommodative and risk assets to be well-supported across developed markets in the coming months in order to support the continued stabilization of the global economy and financial markets. Having eased aggressively in prior months, most central banks are now closely monitoring incoming economic data to determine if further measures are necessary. Additionally, incoming data has generally been better than expected, but with inflationary pressures very weak and economies hit by a severe exogenous shock, there is every reason to believe central banks will be ready to ease further, most likely through unconventional policy measures. |
| **Emerging Market (EM) Rate/FX** | The rally in emerging market (EM) assets extended into June, leading to one of the strongest quarters on record. Investors were encouraged by ongoing monetary and fiscal easing across EM and developed market economies, as well as the International Monetary Fund (IMF)'s revamped programs to assist developing nations in their COVID-19 response.[3] EM dollar-denominated sovereigns once again led performance, driven by the high-yield segment, as well as energy-exporting countries, as energy prices rose on higher consumption and growth expectations. Dollar-denominated corporates followed sovereigns, with local currency debt lagging as EM currencies weakened versus the U.S. dollar.[4] | We remain cautiously constructive on EM debt in the near term, as positive news from reopenings are partially offset by less-compelling valuations than a few months ago and setbacks on fighting the pandemic in certain countries. We still think there is value in EM debt, mainly in high-yield hard currency and FX. Nevertheless, we notice potential risks in the form of a bungled reopening of economies amid a worse-than-expected second wave of infections, as well as heightened U.S./China tensions (Hong Kong and trade issues) and geopolitical noise in other regions (Russia/India verus China) weighing on risk sentiment. |

[3] Source: Bloomberg, as of 6/30/2020

[4] Source: JP Morgan, as of 6/30/2020

| | MONTHLY REVIEW | OUTLOOK |
|---|---|---|
| **Credit** | Investment-grade credit spreads were tighter in June both in the U.S. and in Europe. The key driver was an initial rally at the start of the month as developed economies began exiting from COVID-19 lockdowns and better-than-expected economic activity data. But a weakening in the second half of the month followed as increased infection rates in the U.S., coupled with political headlines on U.S./China relations, turned sentiment negative. Corporate news was limited ahead of Q2 results starting in July. BBB-rated names outperformed higher-rated securities. In terms of excess returns versus government bonds, the Bloomberg Barclays U.S. Investment Grade (IG) index generated a positive excess return of 1.89%. European IG, as measured by the Bloomberg Barclays Euro-Aggregate Corporate Index, underperformed the U.S. market in June, closing 21 bps tighter at 148 bps.[5] | Corporates have responded to the coronavirus by focusing on raising cash, a rational response given the economic uncertainty. This has resulted in a combination of strategies including equity raises, corporate debt issuance, dividend reductions and lower capex. The response has varied across sectors, with the more cyclical sectors looking to raise more cash. Looking forward, there is a question about the optimal financing structure for firms in a potentially low growth, low inflation, and low cost of debt backdrop. |
| **Securitized Products** | The securitized credit markets continued to recover during June with consumer credit, office-backed commercial real estate, and housing-related sectors all experiencing spread-tightening. However, U.S. economic conditions remain weak, with more than 30 million people continuing to claim unemployment benefits, although there are signs improvement with parts of the economy reopening in various stages across the country. | As AAA spreads have now retraced 80-90% of the COVID-19 spread widening, we believe they seem unlikely to tighten materially further given current credit conditions. On the other hand, they are also unlikely to widen materially given the lower issuance volumes and $100 billion of TALF money poised to take advantage of any spread-widening. However, lower-rated classes, particularly BBBs and BBs still have significant room to tighten further. While we've seen some spread recovery over the past two months, lower-rated securitized spreads remain much wider than February levels and have lagged the recoveries experienced by the corporate credit sectors. Fundamental data remains critical and the markets are closely watching for signs of material credit deterioration resulting from the spike in joblessness, but so far the performance deterioration has been mild for most sectors and far better than expected, and the economy is slowly showing signs of coming back to life. |

[5] Source: Bloomberg Barclays, as of 6/30/2020

## Risk Considerations

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, 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**

**R*** is the real short term interest rate that would occur when the economy is at equilibrium, meaning that unemployment is at the neutral rate and inflation is at the target rate.

**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.

The **Bloomberg Barclays Euro Aggregate Corporate Index (Bloomberg Barclays Euro IG Corporate)** is an index designed to reflect the performance of the euro-denominated investment-grade corporate bond market.

The **Bloomberg Barclays Global Aggregate Corporate Index** is the corporate component of the Barclays Global Aggregate index, which provides a broad-based measure of the global investment-grade fixed income markets.

The **Bloomberg Barclays U.S. Corporate Index (Bloomberg Barclays U.S. IG Corp)** is a broad-based benchmark that measures the investment-grade, fixed-rate, taxable corporate bond market.

The **Bloomberg Barclays U.S. 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 Barclays U.S. Corporate Index** is a broad-based benchmark that measures the investment grade, fixed-rate, taxable, corporate bond market.

The **Bloomberg Barclays U.S. 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 versus 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 U.S. Treasury**—U.S. 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

The **ICE BofAML U.S. Mortgage-Backed Securities (ICE BofAML U.S. Mortgage Master) Index** tracks the performance of U.S. dollar-denominated, fixed-rate and hybrid residential mortgage pass-through securities publicly issued by U.S. agencies in the U.S. domestic market.

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The **ICE BofAML U.S. High Yield Master II Constrained Index (ICE BofAML U.S. 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 U.S.-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 U.S. 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 U.S.-dollar corporate emerging market bonds representing Asia, Latin America, Europe and the Middle East/Africa.

**JPY versus. USD**—Japanese yen total return versus U.S. dollar.

The **National Association of Realtors Home Affordability Index** compares the median income to the cost of the median home.

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 U.S. 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 **S&P 500® Index (U.S. S&P 500)** measures the performance of the large-cap segment of the U.S. equities market, covering approximately 75 percent of the U.S. equities market. The index includes 500 leading companies in leading industries of the U.S. economy.

The **S&P/LSTA U.S. 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 (U.S.), 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 **U.S. 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 U.S. trade partners' currencies.

The **Chicago Board Options Exchange (CBOE) Market Volatility (VIX) Index** shows the market's expectation of 30-day volatility.

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