

Venezuela's Next Chapter: Short- and Long-term Implications

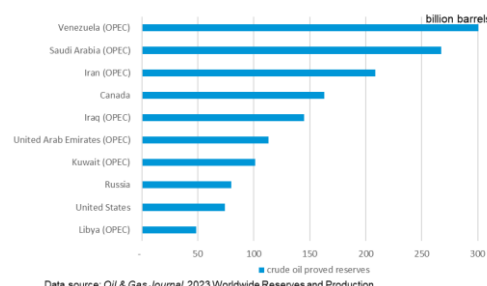
WEEKLY VIEW FROM THE DESK | January 5, 2026

[LINK TO WEEKLY RETURNS TABLE](#)

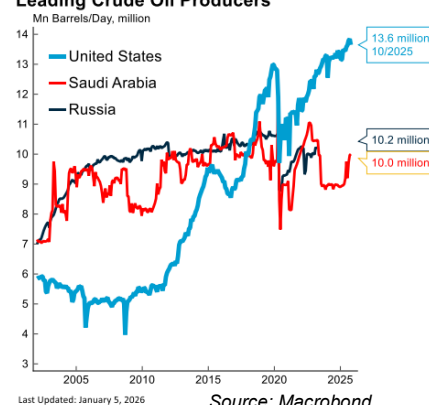
MACRO

- While the U.S. actions in Venezuela last weekend were decisive, the reality on the ground remains fraught with uncertainties. For organizational purposes, our views are segmented into short- and long-term implications (see the following [Emerging Markets section](#) for additional detail).
- In the short-term, we view the situation as directionally positive for risk given the potential impact on oil prices, inflation, and interest rates. Although Venezuela possesses the largest proven crude oil reserves in the world (more than 300 billion barrels or about 20% of the global total; see chart), the country's production has declined precipitously from a peak of 3.5M barrels per day (bpd) in 1997 to 903,000 bpd in 2024, or only about 1% of global crude oil supply. The decline occurred amid U.S. sanctions, departure of major global oil companies, exodus of skilled industry labor, and decaying infrastructure.
- About half of Venezuela's crude production is shipped to China and about 30% is consumed domestically, leaving only about 200,000 bpd for a global crude oil market comprised of about 100M bpd. Hence, the upside estimates to the country's crude oil production are substantial in the range of 500k-1M bpd in the short term and 1-2M bpd over a decade. Those estimates generally align with other historical, positive supply shocks (e.g., Libya post-Gaddafi, Iraq, U.S. shale basins, and Guyana). However, caution is warranted and historical comparisons are imperfect as Venezuelan crude is ultra heavy, requires significant cost to extract, and requires thorough processing.
- A scenario where Venezuelan crude production returns to 1990 levels (likely with U.S. support) would carry significant ramifications as it would further shift the balance of power across global energy markets. The U.S. is already the world's largest crude oil producer (see chart) and potential oversight of future production in Venezuela and Guyana could place nearly 30% of global crude oil production under U.S. influence, or more than Saudi Arabia, Iran, and Russia combined.
- In an optimistic scenario, the additional crude oil production from Venezuela could be market friendly for oil prices, inflation (nearly half of the U.S. CPI basket consists of direct and indirect energy consumption), and monetary policy.
- But the risks surrounding the situation in Venezuela pertain to nearly every facet, including political (e.g., how is the Venezuelan military kept onside?), operational (how is old infrastructure revitalized?), financial (would estimates for \$100B in needed capex be feasible amidst more attractive alternatives?), and geopolitical (e.g., the second order effects of regional influence on Taiwan and Ukraine).
- Indeed, the second-order, longer-term effects from growing spheres of regional influence are significant and carry more downside risks. For example, they likely exacerbate great power competition (e.g., the U.S. and China) where sustained periods of peace are historically rare and segments the world into respective blocs. This segmentation reduces market sizes, introduces inefficiencies, and stifles innovation.

Venezuela's crude oil proved reserves ranking, 2023



Leading Crude Oil Producers



DEVELOPED MARKET RATES

- As 2026 opens, we have a guardedly optimistic view on DM rates, with a caveat. In Europe, long-term bunds have sold off, and we're monitoring whether yields may soon crest or if they are signalling a demand issue at the back of the curve. Value in the U.S. rates complex isn't as compelling, but rates may remain range bound if recent Fed pricing—i.e., a low 3% Fed funds rate by year end—holds.
- Meanwhile, the 10-year JGB continues to selloff with the yield recently breaching 2.12%, approaching the bottom of the G3-yield envelope where the 10-year bund yields 2.87%. The near-term risk is that the selloff continues at the back of the JGB curve and brings the other G3 curves with it, potentially adding further steepening to DM yield curves.
- After a strong 2025, liquidity in the MBS market appears stable as 2026 opens, despite higher broker/dealer inventory. While origination remains light, mortgage rates are near the lowest levels since 2024. As a result, about 20% of the mortgage universe is refinance eligible with rates roughly 185 bps lower than recent highs.

IG CORPORATES

- As it pertains to Venezuela, we expect the impact to be fairly minimal. The impact to U.S. refiners could be slightly positive with the potential addition of heavy barrels; the impact to Canadian E&Ps could be slightly negative; and the impact to some of the U.S. majors (Chevron, Exxon, Conoco) could be slightly positive.
- In the U.S., IG corporate issuance in 2025 was \$1.6T, up from \$1.5T in 2024. On the mutual fund side, \$14B of inflows over the last few weeks of the year left total inflows at \$350B for 2025. The new year started off strongly in terms of issuance, with 20 deals in the market to begin a week in which we expect \$60-75B to come to market.
- Given the current tight spread levels and expected supply, we don't expect spreads to have much more room to tighten over the short term.

- In the EUR IG market, spreads were largely flat in December to end the year at +79. Tuesday is a holiday in Germany, therefore we don't anticipate any European supply until later this week when it should accelerate meaningfully. Our outlook remains unchanged in the short term due to the limited potential for further spread tightening.

LEVERAGED FINANCE

- While U.S. HY bond spreads were tightly range-bound in quiet trading during the final two weeks of 2025, December was the eighth consecutive month the market rallied. Yields hit multi-year lows against a backdrop of taming inflation and steady growth. BBs were the top performers in U.S. corporate credit in 2025, including investment grade. All credit tiers posted gains last week, with Bs outperforming CCCs and BBs. Among sectors, cable, telecom, and energy were the top performers, while paper, containers, and media were the weakest.
- For 2025, net retail fund inflows reached \$18.4B, with over \$20B flowing into HY ETFs, marking the seventh largest annual inflow on record and the second consecutive year of over \$16B of inflows. Last year's ETF inflows drove the vehicle's assets to a record \$115.2B, a gain of 31% for the year. While there was no primary market activity after mid-December, 2025 issuance volume totaled \$332B (\$98.3B ex-refi), representing a 12% YoY increase, with approximately 71% of the proceeds for refinancing.
- The U.S. loan market drifted to a quiet but firm close to the year, with investors anticipating several large deals in the pipeline over the coming weeks. U.S. bank loans returned 6% in 2025, with BBs and Bs each returning approximately 6.5% and CCCs easing 3%, underscoring the deep dispersion in the market over the past year. We expect the asset class to return between 6.0-6.5% in 2026.
- European high yield spreads ended 2025 at their tightest levels since 2007, with compression in BB spreads being the main driver, followed by dispersion in B and CCC credits. HY spreads ended the year at 282 bps, having spent most of the period in the 280-320 bps range, including during the April bout of volatility. Loan spreads were flat for the year, as performing loans were repriced and underperformers saw losses.

EMERGING MARKETS

- Venezuela sovereign and PDVSA bonds traded up another seven points Monday morning following Maduro's removal over the weekend. The bonds had traded higher over the past couple of months on the prospect of regime change, rising from around 10 to end the year in the mid-20s and are currently trading in the 35-40 range. Our conservative take is that bond recovery values are close to current trading levels, with the potential for more upside depending on political risks. Beyond oil, Venezuela's mineral and gold reserves are attractive, and U.S. Treasury involvement could incentivize international oil companies to invest despite high extraction costs. While there is still uncertainty (i.e. elections, role of opposition), it seems clear for now that the current Chavista leadership will cooperate with the Trump administration, which, at a minimum, puts a possible debt restructuring on the horizon.
- As it pertains to the regional impact, if Venezuela normalizes both politically and economically, and oil production increases, Latin America could remain the favored EM region, benefiting from U.S. policy shifts toward economic self-interest. Brazil has already recognized the new Venezuelan leadership, and U.S.-friendly governments in Argentina and Ecuador are likely to benefit. Mexico is more insulated but will likely cooperate with the U.S., especially with USMCA negotiations underway. Colombia is most vulnerable due to its border, current government, and fiscal challenges.
- As we enter our first working week of January, we expect supply, with Mexico tapping the market right out of the gate for a \$7B multi-tranche deal. While the Mexico deal is three times oversubscribed, depending on market context and amount of supply, there could be some indigestion. Over the near term, the market's focus will be on U.S. labor data, dollar movement, commodity prices, news on the Fed Chair appointee, and geopolitics (e.g., China/Taiwan; Iran; VZ; Russia/Ukraine). Balancing tail risks with attractive idiosyncratic stories and selective relative value opportunities, it seems appropriate to continue with risk and focus on identifying bottom-up opportunities.
- In EMFX, our view in early 2026 is that the USD is likely to lose ground against many currencies due to further monetary easing by the Fed while many other central banks are either on hold or easing much less. In local markets, events in Venezuela are likely to have a negative market impact on Colombian assets. The U.S. data releases in the next two weeks and events in Venezuela are likely to consume the market's attention, and, as a result, we expect volatility in EMFX and local rates to spike.

SECURITIZED PRODUCTS

- CMBS conduit AAA primary and secondary spreads were edged tighter, while subordinate tranches were unchanged. SASB AAA floaters were flat while fixed-rates and subordinate tranches tightened. CRE CLOs held steady, with AAA new issues at 140-145 bps. While no transactions came to market, the SASB pipeline is poised to pick up in January, as is CRE CLO issuance.
- In RMBS, despite heavy supply non-QM spreads tightened as much as 15 bps on strong investor demand, and we expect further tightening near-term on the "January effect." Second-liens tightened as much as 10 bps with further near-term compression expected. CRTs were flat in exceptionally quiet trading. RMBS issuance reached \$192B in 2025—up 28% from 2024—and we expect issuance to reach \$225B in 2026.
- U.S. CLO spreads were flat overall in quiet trading during the final two weeks of 2025. Over the near term, we expect benchmark spreads to remain in the 3M SOFR+120 range and that demand will persist in mezzanine for cleaner, benchmark profiles, as challenges continue for non-benchmark and seasoned pools. The U.S. CLO primary market saw \$209B of new issues price across 434 CLOs, while resets and refinancings reached \$228.8B and \$106.8B across 462 and 274 CLOs, respectively. The European primary market saw new issuance of €59.3B from 139 CLOs, while resets and refinancings reached €61.8B and €3.5B from 143 and 12 CLOs, respectively.
- ABS spreads were firm, but range-bound in light trading. That said, we expect the U.S. primary market to pick up over the next two weeks, especially in auto, student loan, fleet, cell tower, and fiber deals. Net U.S. issuance for 2026 is projected to be 40% higher than 2025. Elsewhere, the European and Australian ABS markets were quiet, but are expected to pick-up late January.

MUNICIPALS

- The tax-exempt muni market was mostly unchanged over the past two weeks, in line with Treasuries amid very low volumes and no primary to speak of. Net supply this week is expected to be \$4B and is expected to be positive in January for the first time in years (+\$5B). Conversely, February is expected to be one of the best technical months this year (-\$4B).
- After a record supply in 2025, the primary calendar will get off to a slow start this week, with a couple of prepay gas deals (PacLife and Mass Mutual) and a NY Thruway deal headlining. Meanwhile, January will have the largest reinvestment of cash ever, exceeding \$42B.

THE RETURNS TABLE AS OF JANUARY 2, 2026

	Duration	YTM	OAS	WTD	Yield / OAS change (bps)				Prior year	WTD	MTD	Total return (%)		
					MTD	QTD	YTD	QTD				YTD	Prior year	
Sovereign rates														
U.S. 2-Year	1.90	3.47	---	-1	0	0	0	-77	0.07	0.01	0.01	0.01	4.86	
U.S. 5-Year	4.52	3.74	---	5	2	2	2	-63	-0.14	-0.03	-0.03	-0.03	6.75	
U.S. 10-Year	8.01	4.19	---	6	2	2	2	-37	-0.41	-0.07	-0.07	-0.07	7.64	
U.S. 10-Year Breakeven	--	2.26	---	3	1	1	1	-8	---	---	---	---	---	
U.S. 10-Year TIPS	4.31	1.91	---	3	1	1	1	-31	-0.22	-0.28	-0.28	-0.28	8.56	
U.S. 20-Year	12.72	4.82	---	5	3	3	3	-3	-0.56	-0.16	-0.16	-0.16	4.63	
U.S. 30-Year	15.72	4.87	---	6	3	3	3	9	-0.77	-0.18	-0.18	-0.18	3.02	
U.S. SOFR	---	---	---	-1	-12	-12	-12	-65	0.07	0.02	0.02	0.02	4.39	
UK 10-Year	7.33	4.54	---	3	6	6	6	-6	-0.12	-0.36	-0.36	-0.36	5.55	
Germany 10-Year	8.26	2.90	---	4	4	4	4	52	-0.21	-0.29	-0.29	-0.29	-0.97	
Switzerland 10-Year	9.33	0.28	---	-2	0	0	0	-3	0.05	0.00	0.00	0.00	0.62	
Japan 10-Year	8.01	2.06	---	3	0	0	0	97	-0.14	0.01	0.01	0.01	-5.54	
Australia 10-Year	8.03	4.84	---	10	10	10	10	40	-0.42	-0.55	-0.55	-0.55	2.24	
Canada 10-Year	8.36	3.47	---	7	4	4	4	25	-0.44	-0.24	-0.24	-0.24	2.12	
Major fixed income multi-sector indices		YTW												
Global Aggregate Unhedged	6.40	3.55	28	0	0	0	0	-7	-0.21	-0.13	-0.13	-0.13	8.25	
Global Aggregate Hedged	6.40	3.55	28	0	0	0	0	-7	-0.13	-0.17	-0.17	-0.17	4.66	
U.S. Aggregate	6.05	4.35	27	1	0	0	0	-7	-0.21	-0.20	-0.20	-0.20	7.04	
Euro-Aggregate (Unhedged)	6.25	3.01	43	0	0	0	0	-20	-0.11	-0.25	-0.25	-0.25	1.10	
Japanese Aggregate	8.32	1.92	1	0	0	0	0	0	-0.16	0.00	0.00	0.00	-6.10	
Major fixed income credit indices		YTW												
Mortgage-Backed (Agency)	5.67	4.68	23	2	1	1	1	-20	-0.26	-0.24	-0.24	-0.24	8.28	
Global IG Corporate Bonds	6.00	4.39	80	1	0	0	0	-9	-0.24	-0.17	-0.17	-0.17	10.35	
U.S. IG Corporate Bonds	6.94	4.85	78	1	0	0	0	-2	-0.28	-0.24	-0.24	-0.24	7.47	
European IG Corporate	4.57	3.24	79	0	0	0	0	-24	0.03	-0.12	-0.12	-0.12	2.92	
U.S. High Yield Bonds	3.02	6.57	268	-3	2	2	2	-13	0.20	0.00	0.00	0.00	8.44	
European High Yield Bonds	2.96	5.25	279	-1	-3	-3	-3	-39	0.17	0.06	0.06	0.06	4.95	
U.S. Leveraged Loans	0.3	8.02	450	-5	-5	-5	-5	-25	0.15	0.05	0.05	0.05	5.93	
European Leveraged Loans	0.3	7.31	470	-3	-4	-4	-4	-9	0.07	0.05	0.05	0.05	4.00	
EM Hard Currency Sovereigns	6.56	6.82	252	-4	-2	-2	-2	-75	0.07	-0.06	-0.06	0.00	14.13	
EM Corporates	4.46	6.38	236	-6	-2	-2	-2	-7	0.08	0.00	0.00	0.00	8.68	
EM Currencies	---	5.81	---	0	0	0	0	-2	0.15	0.10	0.10	0.10	13.18	
EM Local Rates	5.43	5.87	6	0	0	0	0	0	0.28	0.04	0.04	0.04	8.20	
CMBS	3.85	4.46	75	0	0	0	0	-5	-0.06	-0.11	-0.11	-0.11	7.58	
ABS	2.85	4.11	52	0	0	0	0	8	0.01	-0.05	-0.05	-0.05	5.86	
CLOs	4.01	4.76	131	-1	0	0	0	-9	0.10	0.03	0.03	0.03	5.44	
Municipal Bonds	6.25	3.59	---	-1	0	0	0	-12	0.13	0.05	0.05	0.05	4.11	

	Level	Total return (%)					Prior year		Change (%)					Prior year
		WTD	MTD	QTD	YTD	Spot			WTD	MTD	QTD	YTD		
Equity / volatility indices								FX / commodities						
S&P 500 Index	6,858	-1.0	0.2	0.2	0.2	18.4		EUR / USD	1.2	-0.5	-0.2	-0.2	-0.2	14.2
DAX	24,539	0.8	0.2	0.2	0.2	22.5		USD / JPY	156.8	0.2	0.1	0.1	0.1	-0.4
Stoxx 600	596	1.3	0.7	0.7	0.7	20.7		GBP / USD	1.3	-0.3	-0.1	-0.1	-0.1	8.7
Nikkei 225	50,339	-0.7	-0.4	-0.4	-0.4	28.6		EUR / CHF	0.9	-0.1	-0.2	-0.2	-0.2	-0.8
Shanghai Composite	3,969	0.1	0.1	0.1	0.1	25.0		USD / CHF	0.8	0.4	0.0	0.0	0.0	-13.1
MSCI ACWI Index	1,020	-0.3	0.5	0.5	0.5	23.7		USD (DXY)	98.4	0.4	0.1	0.1	0.1	-10.0
FTSE 100	9,951	0.9	0.2	0.2	0.2	24.7		Oil	57.3	-2.1	-0.2	-0.2	-0.2	-21.6
MOVE Index	62	6.6	-2.5	-2.5	-2.5	-35.5		Gold	4332.3	-4.4	0.3	0.3	0.3	63.0
VIX Index	15	6.7	-2.9	-2.9	-2.9	-19.1								

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Source(s) of data (unless otherwise noted): PGIM as of January 2026.

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U.S. Investment Grade Corporate Bonds: Bloomberg Barclays U.S. Corporate Bond Index: The Bloomberg Barclays U.S. Investment Grade Corporate Bond Index covers U.S.D-denominated, investment-grade, fixed-rate or step up, taxable securities sold by industrial, utility and financial issuers. It includes publicly issued U.S. corporate and foreign debentures and secured notes that meet specified maturity, liquidity, and quality requirements. Securities included in the index must have at least 1 year until final maturity and be rated investment-grade (Baa3/BBB-/BBB-) or better using the middle rating of Moody's, S&P, and Fitch.

European Investment Grade Corporate Bonds: Bloomberg Barclays European Corporate Bond Index (unhedged): The Bloomberg Barclays Euro-Aggregate: Corporates bond Index is a rules-based benchmark measuring investment grade, EUR denominated, fixed rate, and corporate only. Only bonds with a maturity of 1 year and above are eligible.

U.S. High Yield Bonds: ICE BofAML U.S. High Yield Index: The ICE BofAML U.S. High Yield Index covers US dollar denominated below investment grade corporate debt publicly issued in the US domestic market. Qualifying securities must have a below investment grade rating (based on an average of Moody's, S&P and Fitch), at least 18 months to final maturity at the time of issuance, and at least one year remaining term to final maturity as of the rebalancing date.

European High Yield Bonds: ICE BofAML European Currency High Yield Index: This data represents the ICE BofAML Euro High Yield Index value, which tracks the performance of Euro denominated below investment grade corporate debt publicly issued in the euro domestic or eurobond markets. Qualifying securities must have a below investment grade rating (based on an average of Moody's, S&P, and Fitch). Qualifying securities must have at least one year remaining term to maturity, a fixed coupon schedule, and a minimum amount outstanding of €100 M. ICE Data Indices, LLC, used with permission. ICE DATA INDICES, LLC IS LICENSING THE ICE DATA INDICES AND RELATED DATA "AS IS," MAKES NO WARRANTIES REGARDING SAME, DOES NOT GUARANTEE THE SUITABILITY, QUALITY, ACCURACY, TIMELINESS, AND/OR COMPLETENESS OF THE ICE DATA INDICES OR ANY DATA INCLUDED IN, RELATED TO, OR DERIVED THEREFROM, ASSUMES NO LIABILITY IN CONNECTION WITH THEIR USE, AND DOES NOT SPONSOR, ENDORSE, OR RECOMMEND PGIM FIXED INCOME OR ANY OF ITS PRODUCTS OR SERVICES.

U.S. Senior Secured Loans: The iBoxx USD Leveraged Loan index family represents the main sections of the USD leveraged loan market. Index constituents are derived using selection criteria such as loan type, minimum size, liquidity, credit ratings, initial spreads and minimum time to maturity.

European Senior Secured Loans: The index universe of the S&P UBS Western European Leveraged Loan Index is meant to represent assets or activity in Western Europe, and includes loans denominated in EUR, GBP, or USD.

Emerging Markets U.S.D Sovereign Debt: JP Morgan Emerging Markets Bond Index Global Diversified: The Emerging Markets Bond Index Global Diversified (EMBI Global) tracks total returns for U.S.D-denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, and Eurobonds. It limits the weights of those index countries with larger debt stocks by only including specified portions of these countries' eligible current face amounts of debt outstanding. To be deemed an emerging market by the EMBI Global Diversified Index, a country must be rated Baa1/BBB+ or below by Moody's/S&P

rating agencies. Information has been obtained from sources believed to be reliable, but J.P. Morgan does not warrant its completeness or accuracy. The Index is used with permission. The Index may not be copied, used, or distributed without J.P. Morgan's prior written approval. Copyright 2021, J.P. Morgan Chase & Co. All rights reserved.

Emerging Markets Local Debt (unhedged): JPMorgan Government Bond Index-Emerging Markets Global Diversified Index: The Government Bond Index-Emerging Markets Global Diversified Index (GBI-EM Global) tracks total returns for local currency bonds issued by emerging market governments.

Emerging Markets Corporate Bonds: JP Morgan Corporate Emerging Markets Bond Index Broad Diversified: The CEMBI tracks total returns of U.S. dollar-denominated debt instruments issued by corporate entities in Emerging Markets countries.

Emerging Markets Currencies: JP Morgan Emerging Local Markets Index Plus: The JP Morgan Emerging Local Markets Index Plus (JPM ELMI+) tracks total returns for local currency-denominated money market instruments.

Municipal Bonds: Bloomberg Barclays Municipal Bond Indices: The index covers the U.S.D-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and pre-refunded bonds. The bonds must be fixed-rate or step ups, have a dated date after Dec. 13, 1990, and must be at least 1 year from their maturity date. Non-credit enhanced bonds (municipal debt without a guarantee) must be rated investment grade (Baa3/BBB-/BBB- or better) by the middle rating of Moody's, S&P, and Fitch.

U.S. Treasury Bonds: Bloomberg Barclays U.S. Treasury Bond Index: The Bloomberg Barclays U.S. Treasury Index measures U.S. dollar-denominated, fixed-rate, nominal debt issued by the U.S. Treasury. Treasury bills are excluded by the maturity constraint but are part of a separate Short Treasury Index.

Mortgage Backed Securities: Bloomberg Barclays U.S. MBS - Agency Fixed Rate Index: 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.

Commercial Mortgage-Backed Securities: Bloomberg Barclays CMBS: ERISA Eligible Index: The index measures the performance of investment-grade commercial mortgage-backed securities, which are classes of securities that represent interests in pools of commercial mortgages. The index includes only CMBS that are Employee Retirement Income Security Act of 1974, which will deem ERISA eligible the certificates with the first priority of principal repayment, as long as certain conditions are met, including the requirement that the certificates be rated in one of the three highest rating categories by Fitch, Inc., Moody's Investors Services or Standard & Poor's.

Palmer Square AAA CLO DM Index represents the discount margin of CLO AAA rated tranches in the Palmer Square CLO Senior Index, which is designed to reflect the investable universe of U.S CLO senior original rated AAA and AA debt issued after Jan 1, 2011.

Global Aggregate Bond Index is a measure of global investment grade debt from twenty four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

U.S. Aggregate Bond Index: Bloomberg Barclays U.S. Aggregate Bond Index: The Bloomberg Barclays U.S. Aggregate Index covers the U.S.D-denominated, investment-grade, fixed-rate or step up, taxable bond market of SEC-registered securities and includes bonds from the Treasury, Government-Related, Corporate, MBS (agency fixed-rate and hybrid ARM passthroughs), ABS, and CMBS sectors. Securities included in the index must have at least 1 year until final maturity and be rated investment-grade (Baa3/ BBB-/BBB-) or better using the middle rating of Moody's, S&P, and Fitch.

Euro Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, euro-denominated, fixed rate bond market, including treasuries, government-related, corporate and securitized issues. Inclusion is based on currency denomination of a bond and not country of risk of the issuer.

Japanese Aggregate Bond Index The Japanese Aggregate Index contains fixed-rate investment-grade securities denominated in Japanese yen and registered as domestic bonds. The index is composed primarily of local currency sovereign debt but also includes government-related, corporate, and securitized bonds.

The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities. There is over U.S.D 9.9 trillion indexed or benchmarked to the index, with indexed assets comprising approximately U.S.D 3.4 trillion of this total. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

The DAX Index is a total return index of 30 selected German blue chip stocks traded on the Frankfurt Stock Exchange. The equities use free float shares in the index calculation. The DAX has a base value of 1,000 as of December 31, 1987. As of June 18, 1999 only XETRA equity prices are used to calculate all DAX indices.

The STOXX 600 Index is derived from the STOXX Europe Total Market Index (TMI) and is a subset of the STOXX Global 1800 Index. With a fixed number of 600 components, the STOXX Europe 600 Index represents large, mid and small capitalization companies across 17 countries of the European region.

The Nikkei 225 Index is a price-weighted average of 225 top-rated Japanese companies listed in the First Section of the Tokyo Stock Exchange. The Nikkei Stock Average was first published on May 16, 1949.

Shanghai Composite Index is a capitalization-weighted index. The index tracks the daily price performance of all A-shares and B-shares listed on the Shanghai Stock Exchange. The index was developed on December 19, 1990.

MSCI ACWI is a free-float weighted equity index. It was developed with a base value of 100 as of December 31 1987. MXWD includes both emerging and developed world markets.

FTSE 100 is a capitalization-weighted index of the 100 most highly capitalized companies traded on the London Stock Exchange. The equities use an investibility weighting in the index calculation. The index was developed with a base level of 1000 as of December 30, 1983.

MOVE Index is a yield curve weighted index of the normalized implied volatility on 1-month Treasury options. It is the weighted average of volatilities on the CT2, CT5, CT10, and CT30. (weighted average of 1m2y, 1m5y, 1m10y and 1m30y Treasury implied vols with weights 0.2/0.2/0.4/0.2, respectively).

VIX Index is a financial benchmark designed to be an up-to-the-minute market estimate of the expected volatility of the S&P 500® Index, and is calculated by using the midpoint of real-time S&P 500 Index (SPX) option bid/ask quotes.

Bloomberg Commodity Index Bloomberg Commodity Index (BCOM) is calculated on an excess return basis and reflects commodity futures price movements. The index rebalances annually weighted 2/3 by trading volume and 1/3 by world production and weight-caps are applied at the commodity, sector and group level for diversification. Roll period typically occurs from 6th-10th business day based on the roll schedule.

The U.S. Dollar Index indicates the general international value of the USD. The USDx does this by averaging the exchange rates between the USD and major world currencies. The ICE US computes this by using the rates supplied by some 500 banks.

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