PGIM

# Impressions of Warsh's Fed Nomination

**WEEKLY VIEW FROM THE DESK** | February 2, 2026

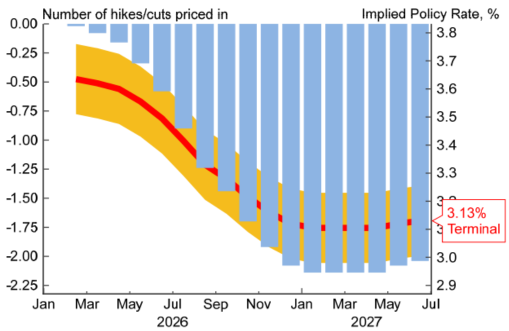
LINK TO WEEKLY RETURNS TABLE

## MACRO

- With Kevin Warsh nominated as the next Chairman of the Federal Reserve, the following includes some impressions of his monetary policy beliefs and their potential market ramifications. Starting from a broad perspective, Warsh likely wants a Fed with a narrow remit focused on price and financial stability as opposed to non-traditional monetary policy objectives. He is also said to be a monetarist who believes that inflation comes from printing money and will likely advocate for a smaller Fed balance sheet.
- Furthermore, Warsh has indicated that quantitative easing distorts price signals, encourages reckless fiscal spending, and a smaller Fed balance sheet would curtail inflation expectations that would allow the Fed to cut policy rates. The dynamic between a smaller balance sheet, which can be viewed as policy tightening, and expectations for policy easing via rate cuts is one that participants will monitor going forward.
- Warsh's specific investment experience likely means that he is acutely aware of the institutional importance of central bank credibility, and he has emphasized the risk of "fiscal dominance" for years. Rather than an interest-rate hawk, he projected to be a "supply-side" dove in the runup to the nomination of the Fed chair role. He is also said to be an artificial-intelligence optimist who sees an AI-driven, disinflationary productivity boom ahead, which supports the view of cutting rates amid solid economic growth.
- If Warsh's nomination proceeds, we believe he may seek to reduce the Fed funds rate faster and lower than current market projections (see the top exhibit), i.e., easing into the 2.5-3.0% range. As a result, the yield curve may also continue to bear steepen, while the recent depreciation in the dollar may slow (see bottom exhibit).

**Implied number of hikes/cuts from Fed**

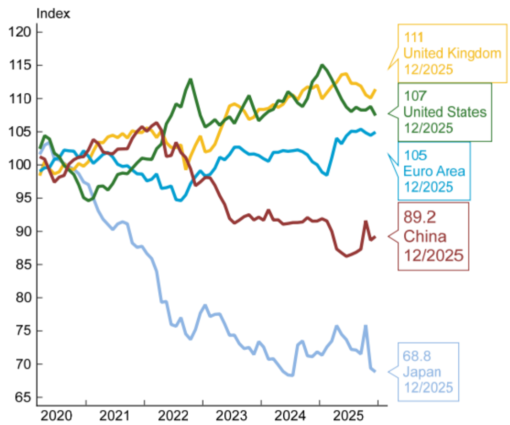
Assuming uniform 0.25 ppt hikes/cuts




Last Updated: February 1, 2026

**Real Effective Exchange Rates (FX Majors)**

Source: BIS




Last Updated: February 1, 2026 *Source: Macrobond*

## DEVELOPED MARKET RATES

- At this point, Fed funds pricing is still focused on the 3% area with the first potential cut under preseumed-Chair Warsh arriving in July with another in December, which could take the policy rate into the 3.10% range.
- Developed market yield curves continued to steepen last week with the U.S. 10-year yield sitting near the top of its range, which remains quite entrenched. Indeed, several moving averages on the 10-year only deviate by about 5 bps from the 4.20% level.
- MBS spread levels remain close to 2022 tights, and while further tightening is possible, opportunistic selling is also taking place. Dealers appear to be adequately handling the supply for now. That said, for yield-based buyers, mortgages still out-carry Treasuries on a duration-weighted basis.

## IG CORPORATES

- In the U.S., the IG corporate Index ended January 5 bps tighter, with spread compression led by lower quality credits (i.e., BBB- and BBB). By maturity, the front-end of the IG curve outperformed both the intermediate- and long-end of the curve. By sector, performance was led by Yankee banks (despite heavy issuance), mid- and upstream energy, and cyclicals amid the solid economic backdrop. Meanwhile, BDCs (e.g., Blackrock), software (due to AI-risk), and data centers (given concerns over potential issuance) underperformed.
- To date, about one-third of companies on the S&P 500 have reported Q4 earnings, with 75% beating estimates and blended earnings growth now near 12%. Thus far in 2026, concerns about leveraging M&A and Capex have not materialized, as recent deals (e.g., Devon/Catera, Charter, and Oracle) have shown discipline through credit rating upgrades and utilization of equity issuance.
- Key risks in February have tempered our short-term outlook for a few reasons, including: spreads near tights, expected increase in non-financial and long-end issuance, tapering Asia demand, lower maturities/coupons, and rising geopolitical risks (notably Iran).
- In Europe, IG corporate cash spreads continue to grind tighter, riding strong technicals due to low supply. Primary market issuance for January totaled €108B, with volumes still skewed toward financials. Given that investors appear hesitant to deploy cash, more off-the-run issuers are starting to enter the market, leading to some concessions.
- This week, there will be a shorter issuance window due to ECB and BOE rate decisions on Thursday. Issuance will stay light until February 16th, when issuers emerge from the blackout period. Outside of a pick-up in supply after the blackout period, we expect market dynamics to remain largely unchanged.

## LEVERAGED FINANCE

- U.S. HY bond spreads widened last week, ending a streak of six consecutive weeks of tightening. The software sector was a major source of underperformance, with spreads in the sector notably wider on the week. The strong market technical, coupled with an underwhelming primary issuance calendar to start the year, has kept the market on solid footing with spreads still only 21 bps off the post-GFC tights. Higher-quality new issues continue to see significant demand, but we have yet to see how willing investors will be to underwrite new CCC-rated unsecured issuance. The CCC rating category did marginally outperform in January, but we still see a bifurcated view around credit quality with a general unwillingness to broadly step out on the risk spectrum.
- The primary market remained active to end January, albeit at a lower pace. Eight deals priced last week for $5B, with January 2026 ending at $28.7B ($7.1B ex-refi). Total returns were mixed across high yield sectors, with energy, telecom, and electric utilities performing the best. Paper, technology, and media underperformed.
- The U.S. loan market softened last week, pressured by declines in the software and technology sectors. BB loans outperformed, with B and CCC names showing continued weakness.
- European high yield and loan spreads widened last week as the loan market experienced a significant repricing wave. In all, 27 deals repriced for about €30B, or 7.5% of the loan market. Meanwhile, primary issuance in the high yield market remained scant.

## EMERGING MARKETS

- EM hard currency sovereign performance remains disperse amid increasing geopolitical hotspots and significant new issue supply. Spreads were marginally wider in January except in the single B-and-below ratings buckets. LatAm outperformed last week, with Venezuela/PDVSA bonds resuming their outperformance. Other higher yielding names also continued to do well (e.g., Argentina, Ecuador). EM new issue supply remained robust with very healthy participation. Notably, Ecuador tapped the market for the first time since its restructuring, terming out its maturity profile by buying back bonds and issuing seven-year and 12-year bonds at +475 and +490. Themes that have been driving returns continue to play out, and we are increasing risk as the backdrop remains supportive.
- EMFX continued to show good momentum amid broad USD weakness. However, USD weakness retraced on Friday on the back of Warsh's nomination to Fed chair, while precious metals and copper moved to the downside, sparking unwinds in currencies such as ZAR, CLP, and THB. Uncertainty over a potential strike on Iran likely added to broad USD strength as EGP saw some pressure. While we have added to short USD positioning via frontier currencies like EGP, NGN, and UGX as well as others like BRL, we have ample room to add risk should better opportunities present themselves.
- In local rates, the index yield was slightly lower last week, with a few markets selling off slightly on Friday amid an appreciating USD. Brazil, South Africa, Peru, and Czech were last week's outperformers. Turkey and Colombia underperformed. Last week's highlights included a dovish pivot by Brazil's central bank to start an easing cycle and a 100 bp hike by BanRep (Colombia) after the market close on Friday. We incrementally added to our overweights in Brazil, Hungary, and Korea with the view that appreciating currencies would bring inflows to EM local debt, and ease pressure on their central banks. As of now, our bias is to fade the selloff and look for opportunities to add.
- In EM corporates, special situations, such as New World and Telefonica Chile, saw some outperformance. New World bonds were up on news that Blackstone and other investors were interested in acquiring an equity stake in the company. We believe there is some upside left, with potential for the 2030s to trade below 9% from the current 10% although we await additional details. Telefonica Chile provided details of the Onnet sale, which would reduce leverage, and bonds remained well bid in the low 70s. Braskem inched up couple of points with the 28s now around 45 with the market surprised that the company paid the coupon on their subordinated bonds.

## SECURITIZED PRODUCTS

- CMBS conduit AAA and subordinate spreads tightened last week, as did SASB generic AAA floaters, fixed rates, and subordinate secondary spreads. New issue AAA CRE CLOs were tighter at 135-140 while subordinate tranches edged wider. Agency 10-year benchmarks were little changed. Seven deals came to market, including three SASBs, one CRE CLO, two conduits, and one agency. Valuations for most property types have stabilized, with early reports showing modest gains for 2025. Looking ahead, we generally anticipate property values to continue rising modestly in 2026.
- In RMBS, new issue non-QM spreads were stable-with AAAs clearing around 100-110 bps-while secondary spreads traded close to new issue levels. Near term spreads should remain range bound, though a move inside +100 wouldn't be surprising. Currently new issue AAA, AA, A, and BBBs priced at T+105 (-0), +130 (-0), +145 (+5), +180 (-0) respectively. CRT spreads were range-bound last week. Issuance was heavy, with 19 deals totaling $7.3B coming to market.
- U.S. CLO spreads tightened and the curve continue to flatten last week amid strong demand from banks, insurers, and asset managers. Benchmark AAAs rallied another 2 bps as the basis between benchmark and non-benchmark issuers remains narrow at 5-8 bps. European CLO spreads tightened across the capital structure. In the U.S. primary market, approximately $14.3B across 31 CLOs priced last week. In Europe, approximately €2.6B across 7 CLOs priced.
- ABS spreads were rangebound last week with the exception of BBB/BB European ABS, which tightened 10-15 bps. The market has absorbed approximately $28B in new issuance YTD, with most deals clearing at or tighter than price guidance. The U.S. primary market is expected to remain active given attractive funding levels for issuers, while the thus far quiet European and Australian primary markets are expected to pick up in early February.

## MUNICIPALS

- In January, the tax-exempt IG muni Index recorded a total return of 0.94%, outperforming the U.S. Treasury Index (-0.09%), U.S. Corporate Index (0.18%), and Taxable Municipal Index (0.05%). In addition, the AAA Muni curve has steepened, with the 10s30s portion of the curve 18 bps steeper over the full month.
- MMD/UST yield ratios on 5-year, 10-year, and 30-year maturities ended January at 59%, 67%, and 88%, respectively. Strong demand has been driven by SMA buyers, especially on the front end of the curve. The back end of the curve remains stable with ratios near the 90-day average. In terms of supply, this week's calendar is manageable at ~$8B. Moreover, favorable technicals are expected in February with net negative supply (-$4B).

## **THE RETURNS TABLE** AS OF JANUARY 30, 2026

| | | | | Yield / OAS change (bps) | | | | | Total return (%) | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Duration | YTM | OAS | WTD | MTD | QTD | YTD | Prior year | WTD | MTD | QTD | YTD | Prior year |
| **Sovereign rates** | | | | | | | | | | | | | |
| U.S. 2-Year | 1.91 | 3.52 | --- | -7 | 5 | 5 | 5 | -68 | 0.19 | 0.18 | 0.18 | 0.18 | 4.63 |
| U.S. 5-Year | 4.51 | 3.79 | --- | -4 | 6 | 6 | 6 | -53 | 0.20 | -0.02 | -0.02 | -0.02 | 6.18 |
| U.S. 10-Year | 7.93 | 4.24 | --- | 1 | 7 | 7 | 7 | -28 | -0.11 | -0.28 | -0.28 | -0.28 | 6.63 |
| U.S. 10-Year Breakeven | -- | 2.34 | --- | 3 | 10 | 10 | 10 | -5 | --- | --- | --- | --- | --- |
| U.S. 10-Year TIPS | 4.51 | 1.90 | --- | -2 | -1 | -1 | -1 | -23 | 0.08 | 0.10 | 0.10 | 0.10 | 7.50 |
| U.S. 20-Year | 12.61 | 4.82 | --- | 4 | 3 | 3 | 3 | 1 | -0.48 | -0.07 | -0.07 | -0.07 | 3.82 |
| U.S. 30-Year | 15.59 | 4.87 | --- | 5 | 3 | 3 | 3 | 11 | -0.84 | -0.12 | -0.12 | -0.12 | 2.38 |
| U.S. SOFR | --- | --- | --- | 3 | -19 | -19 | -19 | -68 | 0.07 | 0.31 | 0.31 | 0.31 | 4.34 |
| UK 10-Year | 7.26 | 4.52 | --- | 1 | 4 | 4 | 4 | -4 | 0.04 | 0.12 | 0.12 | 0.12 | 5.40 |
| Germany 10-Year | 8.59 | 2.84 | --- | -6 | -1 | -1 | -1 | 33 | 0.53 | 0.66 | 0.66 | 0.66 | 0.72 |
| Switzerland 10-Year | 9.25 | 0.21 | --- | -7 | -7 | -7 | -7 | -22 | 0.59 | 0.84 | 0.84 | 0.84 | 2.45 |
| Japan 10-Year | 8.07 | 2.24 | --- | 0 | 19 | 19 | 19 | 104 | 0.12 | -0.93 | -0.93 | -0.93 | -5.70 |
| Australia 10-Year | 7.95 | 4.81 | --- | -1 | 7 | 7 | 7 | 43 | 0.15 | -0.06 | -0.06 | -0.06 | 1.88 |
| Canada 10-Year | 8.29 | 3.42 | --- | 0 | -2 | -2 | -2 | 30 | 0.05 | 0.45 | 0.45 | 0.45 | 1.74 |
| **Major fixed income multi-sector indices** | | **YTW** | | | | | | | | | | | |
| Global Aggregate Unhedged | 6.32 | 3.53 | 25 | 0 | -2 | -2 | -2 | -7 | 0.80 | 0.94 | 0.94 | 0.94 | 8.38 |
| Global Aggregate Hedged | 6.32 | 3.53 | 25 | 0 | -2 | -2 | -2 | -7 | 0.14 | 0.24 | 0.24 | 0.24 | 4.73 |
| U.S. Aggregate | 5.97 | 4.36 | 24 | 0 | -3 | -3 | -3 | -7 | 0.03 | 0.11 | 0.11 | 0.11 | 6.68 |
| Euro-Aggregate (Unhedged) | 6.31 | 2.90 | 39 | 0 | -3 | -3 | -3 | -17 | 0.36 | 0.73 | 0.73 | 0.73 | 2.41 |
| Japanese Aggregate | 8.12 | 2.04 | 1 | 0 | 0 | 0 | 0 | 1 | 0.19 | -1.23 | -1.23 | -1.23 | -6.82 |
| **Major fixed income credit indices** | | **YTW** | | | | | | | | | | | |
| Mortgage-Backed (Agency) | 5.53 | 4.64 | 16 | -3 | -6 | -6 | -6 | -18 | 0.19 | 0.41 | 0.41 | 0.41 | 8.24 |
| Global IG Corporate Bonds | 5.94 | 4.34 | 75 | 0 | -5 | -5 | -5 | -10 | 0.49 | 0.87 | 0.87 | 0.87 | 10.42 |
| U.S. IG Corporate Bonds | 6.89 | 4.84 | 73 | 1 | -5 | -5 | -5 | -6 | -0.11 | 0.18 | 0.18 | 0.18 | 7.16 |
| European IG Corporate | 4.59 | 3.11 | 74 | -1 | -5 | -5 | -5 | -19 | 0.39 | 0.76 | 0.76 | 0.76 | 3.75 |
| U.S. High Yield Bonds | 3.01 | 6.58 | 265 | 9 | -1 | -1 | -1 | 5 | -0.16 | 0.51 | 0.51 | 0.51 | 7.70 |
| European High Yield Bonds | 2.97 | 5.18 | 273 | 9 | -8 | -8 | -8 | -31 | 0.04 | 0.80 | 0.80 | 0.80 | 5.38 |
| U.S. Leveraged Loans | 0.3 | 8.34 | 480 | 25 | 25 | 25 | 25 | 6 | -0.55 | -0.26 | -0.26 | -0.26 | 4.92 |
| European Leveraged Loans | 0.3 | 7.51 | 493 | 15 | 19 | 19 | 19 | 24 | -0.32 | -0.22 | -0.22 | -0.22 | 2.94 |
| EM Hard Currency Sovereigns | 6.54 | 6.79 | 245 | 0 | -9 | -9 | -9 | -72 | 0.15 | 0.68 | 0.68 | 0.62 | 13.40 |
| EM Corporates | 4.45 | 6.33 | 224 | -2 | -13 | -13 | -13 | -20 | 0.19 | 0.74 | 0.74 | 0.74 | 8.68 |
| EM Currencies | --- | 5.55 | --- | 0 | 0 | 0 | 0 | -1 | 0.70 | 1.48 | 1.48 | 1.48 | 12.55 |
| EM Local Rates | 5.40 | 5.86 | 6 | 0 | 0 | 0 | 0 | 0 | 0.28 | 0.58 | 0.58 | 0.58 | 7.93 |
| CMBS | 3.83 | 4.43 | 67 | -1 | -8 | -8 | -8 | -9 | 0.28 | 0.35 | 0.35 | 0.35 | 7.26 |
| ABS | 2.85 | 4.12 | 48 | 0 | -4 | -4 | -4 | 2 | 0.15 | 0.25 | 0.25 | 0.25 | 5.81 |
| CLOs | 4.07 | 4.78 | 128 | -1 | -3 | -3 | -3 | -8 | 0.12 | 0.50 | 0.50 | 0.50 | 5.34 |
| Municipal Bonds | 6.13 | 3.45 | --- | -4 | -14 | -14 | -14 | -23 | 0.29 | 0.94 | 0.94 | 0.94 | 4.70 |

| | | Total return (%) | | | | |
|---|---|---|---|---|---|---|
| | Level | WTD | MTD | QTD | YTD | Prior year |
| **Equity / volatility indices** | | | | | | |
| S&P 500 Index | 6,939 | 0.3 | 1.5 | 1.5 | 1.5 | 15.8 |
| DAX | 24,539 | -1.5 | 0.2 | 0.2 | 0.2 | 12.9 |
| Stoxx 600 | 611 | 0.4 | 3.2 | 3.2 | 3.2 | 17.2 |
| Nikkei 225 | 53,323 | -1.0 | 5.9 | 5.9 | 5.9 | 37.6 |
| Shanghai Composite | 4,118 | -0.4 | 3.9 | 3.9 | 3.9 | 29.9 |
| MSCI ACWI Index | 1,044 | 0.7 | 3.0 | 3.0 | 3.0 | 21.9 |
| FTSE 100 | 10,224 | 0.8 | 3.0 | 3.0 | 3.0 | 22.3 |
| MOVE Index | 59 | 5.2 | -7.4 | -7.4 | -7.4 | -34.6 |
| VIX Index | 17 | 8.4 | 16.7 | 16.7 | 16.7 | 10.1 |

| | | Change (%) | | | | |
|---|---|---|---|---|---|---|
| | Spot | WTD | MTD | QTD | YTD | Prior year |
| **FX / commodities** | | | | | | |
| EUR / USD | 1.2 | 0.2 | 0.9 | 0.9 | 0.9 | 14.1 |
| USD / JPY | 154.8 | -0.6 | -1.2 | -1.2 | -1.2 | 0.3 |
| GBP / USD | 1.4 | 0.3 | 1.6 | 1.6 | 1.6 | 10.2 |
| EUR / CHF | 0.9 | -0.7 | -1.5 | -1.5 | -1.5 | -3.1 |
| USD / CHF | 0.8 | -0.9 | -2.5 | -2.5 | -2.5 | -15.0 |
| USD (DXY) | 97.0 | -0.6 | -1.4 | -1.4 | -1.4 | -10.0 |
| Oil | 65.2 | 6.5 | 13.6 | 13.6 | 13.6 | -10.3 |
| Gold | 4894.2 | -1.9 | 13.3 | 13.3 | 13.3 | 75.1 |

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

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**Tracking Error (TE)** is one possible measurement of the dispersion of a portfolio's returns from its stated benchmark; it is the standard deviation of such excess returns. TE figures are representations of statistical expectations falling within "normal" distributions of return patterns. Normal statistical distributions of returns suggests that approximately two thirds of the time the annual gross returns of the accounts will lie in a range equal to the benchmark return plus or minus the TE if the market behaves in a manner suggested by historical returns. Targeted TE therefore applies statistical probabilities (and the language of uncertainty) and so cannot be predictive of actual results. In addition, past tracking error is not indicative of future TE and there can be no assurance that the TE actually reflected in your accounts will be at levels either specified in the investment objectives or suggested by our forecasts.

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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

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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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