

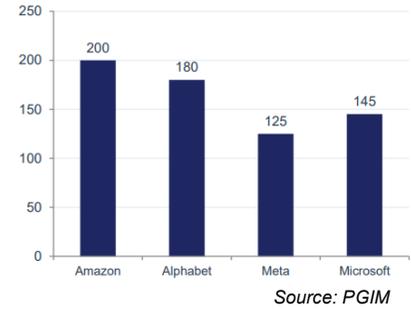
Software Strain and AI's Creative Destruction

WEEKLY VIEW FROM THE DESK | February 9, 2026

[LINK TO WEEKLY RETURNS TABLE](#)

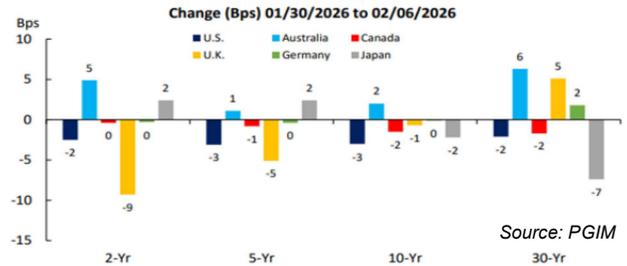
MACRO

- The severity of the recent strain across the software sector underscores AI's potential creative destruction, including the winners and losers that will emerge from the sector's historic CapEx and infrastructure buildout. In 2026 alone, hyperscaler CapEx is expected to increase by 60% to \$650-\$700B. In a highly simplified analysis, this CapEx could amount to 2.0-2.5% of GDP (see the accompanying chart), or a 1 percentage point contribution to real GDP, which could be enough to drive above-trend real GDP growth this year, possibly to the tune of 2.5%.
- However, events in the software sector also prompt us to consider a scenario where AI CapEx falls short of expectations, potentially moving the economic trajectory to "muddle through" growth of about 1.2%. For example, if one were to assume \$485B in CapEx this year for a 14% growth rate and a lower share of GDP, that outcome could amount to a 0.16pp contribution to real GDP growth, or about 80 bps lower than the scenario with a 1pp contribution.
- In terms of categories, the speculative tier of AI firms, with potential 2026 CapEx of \$100-\$120B, could be the most at risk given their reliance on the debt and equity markets and where a financing shortfall is tantamount to cancelled GPU orders.
- Considering the massive CapEx amongst the eight major AI players, it is also logical to examine scenarios for return on invested capital. For example, the potential revenue required to achieve a 10% return on two-year forecast investment amounts to nearly \$750B annually, assuming a 30% gross margin and a 10% depreciation rate. In approximate terms, the amount of revenue would essentially amount to the addition of another Amazon each year. See the **IG Corporates** and **Leveraged Finance** sections for more on the software sector.



DEVELOPED MARKET RATES

- As market volatility increased last week, U.S. two-year yields rallied, but remain constrained by the number of Fed cuts priced in. Meanwhile, 10-year yields consolidated in a tight range for several months, moving lower as equity volatility increased last week.
- With Kevin Warsh nominated as the next Fed Chair and, if confirmed, likely to consider balance sheet contraction, a significant reduction at this point would likely require bond sales, as opposed to a balance sheet roll off process. Indeed, after the prior QT initiative, much of the balance sheet assets are long maturity bonds that will not roll off over the short term.
- Last week, mortgage spreads tracked the broader risk curves, generally widening during most sessions, with a brief tightening at the end of the week. Liquidity remained healthy, with limited concerns about market functioning given the broad volatility.



IG CORPORATES

- In the U.S., last week's Anthropic's announcement unsettled the equity market by underscoring the vulnerability of the software sector to AI-driven disruption (e.g., margin compression, business model shifts, and increased competition). While IG software spreads widened notably last week, we still don't view the sector as particularly cheap given the tight level of spreads prior to the recent strain.
- That said, while some software names could experience a negative AI impact, many businesses should remain well insulated, particularly those with the following characteristics: management of mission critical data/services; high levels of proprietary data; software used as a system of record or a backbone of data infrastructure; use within highly regulated industries; and large user ecosystems.
- While the IG Index widened just 2 bps and modest underperformance was seen in large software issuers, Business Development Companies (BDCs) with higher software concentration (15-20%) experienced more acute pain, with spreads widening 10-50 bps.
- Last week's issuance totaled \$55B. Deals were 3.9x oversubscribed and came with ~2 bp of concessions (on average). Oracle's \$25B issuance dominated last week. However, pricing fluctuated significantly due to CapEx-related announcements, e.g. issuance from Google (\$15B-\$18B) and Amazon (\$15B).
- In Europe, the EUR Index was just 1 bp wider. Issuers that were impacted by last week's spread volatility included RELX (a provider of info-based analytics) and Experian. Issuance volumes totaled €15B, skewed to financials. In Reverse Yankees, Pepsi was the latest U.S. company to issue a multi-tranche deal in the Euro market. In addition, Google issuance plans include a 100-year bond tranche that is expected to set records in the UK market for tenor and size.
- On the UK political front, pressure continues to mount for Prime Minister Keir Starmer's resignation over his appointment of Peter Mandelson as U.S. ambassador. This has led to some volatility in UK equities and gilts markets. Further volatility is expected in the coming months as possible leadership changes unfold. However, given recent weakness in labor and retail readings, we continue to weigh the possibility that the front end may be mispriced.

LEVERAGED FINANCE

- U.S. HY bond spreads were steady last week as light issuance and demand for yield offset a risk-off sentiment fueled by fears of AI's software business disruption. Enterprise software providers in the leveraged finance sector have historically enjoyed 80%+ gross margins, which could be impacted if vendors need to offer pricing concessions or need to invest in AI products/capabilities. Further, enterprise software has historically been billed on a "per seat" basis, and we expect AI vendors to move to an "outcomes based" model (i.e., per customer complaint answered, per claim processed), and that transition presents a key risk in the sector.
- We see leveraged finance companies with relatively less leverage, stable and recurring cash flows, and adaptive management teams as best suited to manage the AI-influenced transition.
- Notably, software companies are less prevalent in the HY market vs. the BSL and private credit spaces. Higher quality HY outperformed last week: BBs gained more than Bs, and CCCs posted negative performance. Among sectors, air transportation, super retail, and consumer products were the top performers, while paper, technology, and capital goods lagged the most.
- Primary market activity continued, with \$7.3B across eight deals coming to market—nearly 65% of which was new money. Retail fund flows remained net positive, with \$421M flowing into HY mutual funds, the largest in seven weeks, while ETFs reported an outflow of \$79M, their fifth outflow over the same period. YTD HY flows are negative by \$1.5B.
- The U.S. loan market continued to soften last week, pressured by declines in the software and technology sectors. Notably, the percentage of loans trading above par dipped to a three-month low of nearly 20%. Meanwhile, 25 deals totaling \$20.6B came to market, overwhelmingly backing repricing and refi's.
- European high yield spreads were steady and less impacted by the weakness in software, which represents only a small part of European HY. European loans are more exposed to the sector—including in CLOs, which have around 12% tech exposure—and softened last week.

EMERGING MARKETS

- EM hard currency sovereign performance was relatively flat last week with mounting dispersion in Bs and CCCs. While the market is continuing to absorb record issuance (nearly \$200B YTD), interest in EMD from various end users keeps the market well supported. Geopolitics will continue to frame the backdrop, commodity prices, and the U.S. dollar. Unless there is a disruptive break in U.S. financial market performance, EM is likely to continue to perform. This reflects supportive fundamentals, investors' desire to diversify, and their reach for yield. When we look across EM sectors, themes that have driven returns and positioning continue to play out. We are increasing idiosyncratic risk in improving stories amid the supportive backdrop.
- EMFX declined last week, with LatAm continuing to gain. The volatility that began with the Warsh nomination and continued amid weaker labor market data took a break on Friday when a broad risk-on turn narrowed losses for EMFX on the week. Even during the height of the volatility, while unwinds were seen in more liquid currencies, the frontier complex, like EGP and NGN, were only under minimal pressure and ended the week near YTD highs. We think that any volatility that re-emerges will be EMFX buying opportunities. We continue to believe USD is on a downward bias in the longer term and higher carry currencies are the likely biggest beneficiaries.
- In local rates, the index yield was flat last week. Big movers in EM bond complex were Turkey (+37 bps), Colombia (+27bps), and Thailand (-10 bps). In the 5yr swap space, Colombia (+32 bps), Mexico (-8 bps), and Thailand (-9 bps) moved the most. Colombian local markets remained under pressure after a 100 bp hike and noise around upcoming elections. The IBR curve is now pricing 100 bps of hike in each of next two meetings. On the other hand, the Mexican central bank kept rates unchanged at 7% but did not rule out further easing. A rally in the Thai local market was driven by lower-than-expected inflation (actual deflation), raising the probability of a cut in April. In other news, Moody's downgrade of Indonesia's credit rating outlook to negative further pressured the bonds.
- In EM corporates, index spreads were slightly wider. Raizen bonds collapsed by 30 points to around 50 as news emerged that shareholders Shell and Cosan would not capitalize the company as expected. Telefonica Chile bonds continued to trade higher on reports that the Millicom is the highest bidder for the company. Braskem also remained well bid with the 2028 bonds now in the high 40s, with the market starting to price in a consensual reprofiling. New World bonds held steady in the low 80s as we await details of investor discussions and if it involves an equity injection into the company.

SECURITIZED PRODUCTS

- CMBS conduit AAA primary and subordinate spreads tightened last week while secondary spreads edged wider. SASB spreads tightened across generic AAA floaters, fixed rates, and subordinate secondaries. CRE AAA CLO spreads were unchanged but as much as 10 bps wider for tier-two issuers. Nine deals priced, including six SASBs, one CRE CLO, one conduit, and one agency.
- In RMBS, new issue non-QM spreads tightened another 5 bps to around 100+ bps, while secondary spreads traded inside of 100 bps. Second-lien spreads were unchanged with no new issuance, while CRT spreads were mixed—front cash-flow tranches widened 5-10 bps while M2's tightened 5 bps. Issuance remained heavy, with 11 deals totaling \$5.3B coming to market, led by non-QM's \$2.3B across four transactions.
- U.S. CLO spreads were stable overall across tranches, as primary spreads held firm, but secondaries softened. Primary spreads are likely to soften over the short-term. European CLOs were unchanged across the capital structure with firm demand for middle mezz tranches. CLO issuance reached \$9.5B across 22 transactions in the U.S.—including six new issues, nine resets, and seven refi's—and €4.9B across 12 deals in Europe, including two new issues, five resets and refi's each.
- ABS spreads were rangebound last week with new supply manageable and continued strong demand in the primary and secondary markets. The market absorbed approximately \$9B in total issuance last week, bringing YTD volumes to \$37B. Most deals are 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.

MUNICIPALS

- Tax-exempt munis continued to perform well last week, especially on the front end of the muni curve 5-year, 10-year, and 30-year M/T yield ratios ended last week at 58.0%, 66.5% and 87.8%, respectively.

- Last week's inflows totaled \$2.4B, with \$901M into ETFs and \$1.5B into open-end mutual funds. Flows into long-term funds continue to outpace short and intermediate funds; accounting for 70% of flows YTD. \$14B in issuance is expected this week pace with projections of \$1B+ in net supply for the first two weeks of February. We expect a favorable technical environment through mid-March.

THE RETURNS TABLE AS OF FEBRUARY 6, 2026

	Duration	YTM	OAS	WTD	Yield / OAS change (bps)				WTD	MTD	Total return (%)		
					MTD	QTD	YTD	Prior year			QTD	YTD	Prior year
Sovereign rates													
U.S. 2-Year	1.89	3.50	---	-2	-2	2	2	-71	0.14	0.14	0.32	0.32	4.70
U.S. 5-Year	4.49	3.76	---	-3	-3	3	3	-52	0.29	0.29	0.27	0.27	6.18
U.S. 10-Year	7.91	4.21	---	-3	-3	4	4	-23	0.51	0.51	0.22	0.22	6.39
U.S. 10-Year Breakeven	--	2.33	---	-1	-1	8	8	-8	---	---	---	---	---
U.S. 10-Year TIPS	4.50	1.88	---	-2	-2	-2	-2	-14	0.40	0.40	0.50	0.50	6.91
U.S. 20-Year	12.62	4.80	---	-3	-3	0	0	10	0.71	0.71	0.64	0.64	2.88
U.S. 30-Year	15.62	4.85	---	-2	-2	1	1	21	0.74	0.74	0.62	0.62	1.04
U.S. SOFR	---	---	---	-4	-4	-23	-23	-72	0.07	0.07	0.38	0.38	4.33
UK 10-Year	7.24	4.51	---	-1	-1	4	4	3	0.15	0.15	0.28	0.28	4.87
Germany 10-Year	8.57	2.84	---	0	0	-1	-1	46	0.07	0.07	0.74	0.74	-0.39
Switzerland 10-Year	8.96	0.24	---	4	4	-3	-3	-11	-0.27	-0.27	0.56	0.56	1.60
Japan 10-Year	8.02	2.22	---	-2	-2	16	16	95	0.07	0.07	-0.86	-0.86	-5.17
Australia 10-Year	7.93	4.83	---	2	2	9	9	51	-0.04	-0.04	-0.10	-0.10	1.28
Canada 10-Year	8.27	3.40	---	-2	-2	-3	-3	44	0.17	0.17	0.62	0.62	0.51
Major fixed income multi-sector indices YTW													
Global Aggregate Unhedged	6.37	3.52	26	0	0	-2	-2	-7	-0.22	-0.22	0.72	0.72	7.56
Global Aggregate Hedged	6.37	3.52	26	0	0	-2	-2	-7	0.17	0.17	0.41	0.41	4.29
U.S. Aggregate	6.03	4.33	24	0	0	-3	-3	-8	0.28	0.28	0.39	0.39	6.42
Euro-Aggregate (Unhedged)	6.32	2.92	40	1	1	-3	-3	-16	0.00	0.00	0.74	0.74	1.33
Japanese Aggregate	8.15	2.05	0	0	0	0	0	0	0.18	0.18	-1.06	-1.06	-6.39
Major fixed income credit indices YTW													
Mortgage-Backed (Agency)	5.55	4.60	15	0	0	-6	-6	-20	0.23	0.23	0.64	0.64	7.94
Global IG Corporate Bonds	5.99	4.34	76	1	1	-3	-3	-10	-0.06	-0.06	0.81	0.81	9.86
U.S. IG Corporate Bonds	6.94	4.83	75	2	2	-3	-3	-7	0.26	0.26	0.44	0.44	6.87
European IG Corporate	4.59	3.12	75	1	1	-3	-3	-17	0.03	0.03	0.79	0.79	3.02
U.S. High Yield Bonds	3.02	6.58	266	1	1	0	0	5	0.11	0.11	0.62	0.62	7.63
European High Yield Bonds	2.96	5.23	277	4	4	-4	-4	-31	0.06	0.06	0.87	0.87	4.89
U.S. Leveraged Loans	0.3	8.38	490	10	10	35	35	24	-0.24	-0.24	-0.50	-0.50	4.66
European Leveraged Loans	0.3	7.55	498	5	5	24	24	31	-0.15	-0.15	-0.37	-0.37	2.64
EM Hard Currency Sovereigns	6.53	6.76	245	1	1	-8	-8	-70	0.32	0.32	1.00	0.86	12.97
EM Corporates	4.44	6.32	228	4	4	-9	-9	-19	0.12	0.12	0.86	0.86	8.38
EM Currencies	---	5.53	---	0	0	0	0	-1	-0.10	-0.10	1.38	1.38	12.68
EM Local Rates	5.39	5.86	6	0	0	0	0	0	0.07	0.07	0.65	0.65	7.77
CMBS	3.83	4.40	67	0	0	-8	-8	-10	0.21	0.21	0.56	0.56	7.25
ABS	2.85	4.08	48	-1	-1	-4	-4	0	0.18	0.18	0.42	0.42	5.82
CLOs	4.06	4.74	128	0	0	-3	-3	-6	0.08	0.08	0.58	0.58	5.33
Municipal Bonds	6.09	3.41	---	-5	-5	-19	-19	-19	0.30	0.30	1.24	1.24	4.43

	Total return (%)						Change (%)						
	Level	WTD	MTD	QTD	YTD	Prior year	Spot	WTD	MTD	QTD	YTD	Prior year	
Equity / volatility indices						FX / commodities							
S&P 500 Index	6,932	-0.1	-0.1	1.4	1.4	15.4	EUR / USD	1.2	-0.3	-0.3	0.6	0.6	13.8
DAX	24,721	0.7	0.7	0.9	0.9	12.9	USD / JPY	157.2	1.6	1.6	0.3	0.3	3.8
Stoxx 600	617	1.0	1.0	4.3	4.3	17.1	GBP / USD	1.4	-0.5	-0.5	1.0	1.0	9.5
Nikkei 225	54,254	1.7	1.7	7.8	7.8	41.6	EUR / CHF	0.9	0.0	0.0	-1.5	-1.5	-2.4
Shanghai Composite	4,066	-1.2	-1.2	2.6	2.6	27.5	USD / CHF	0.8	0.4	0.4	-2.1	-2.1	-14.3
MSCI ACWI Index	1,043	-0.1	-0.1	2.9	2.9	21.4	USD (DXY)	97.6	0.7	0.7	-0.7	-0.7	-9.3
FTSE 100	10,370	1.4	1.4	4.5	4.5	22.9	Oil	63.6	-2.5	-2.5	10.7	10.7	-10.0
MOVE Index	64	7.5	7.5	-0.5	-0.5	-32.2	Gold	4964.4	1.4	1.4	14.9	14.9	73.8
VIX Index	18	1.8	1.8	18.8	18.8	14.6							

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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 ELM+I) 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 passsthroughs), 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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