Attention Turns to Fiscal Implications

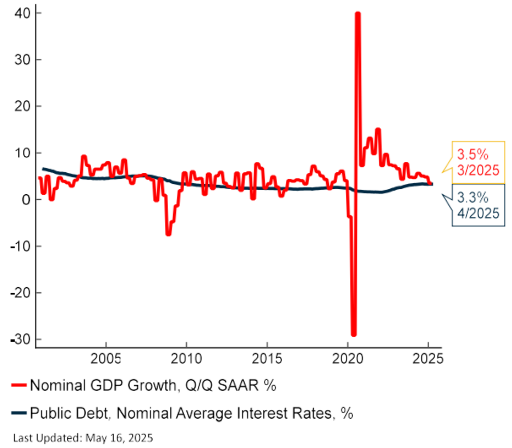
WEEKLY VIEW FROM THE DESK | May 19, 2025

LINK TO WEEKLY RETURNS TABLE

MACRO

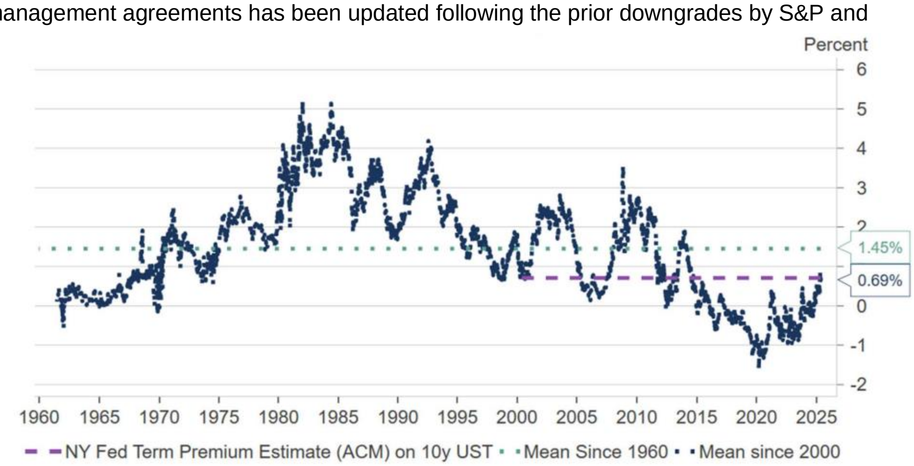
- As various trade talks proceed, attention has turned towards other macro uncertainties, including the prospects for U.S. fiscal conditions. Proposals to make the TCJA tax cuts permanent could increase the deficit from a baseline of 6% of GDP to 7-8% of GDP. As the deficit spending continues, debt-to-GDP ratios could reach 117-129% of GDP by the mid 2030s. As the debt stock rises, the math of debt sustainability indicates that it becomes more sensitive to deficits, growth, and interest rates.
- More specifically, if the effective interest rate on U.S. debt is greater than the country's nominal GDP growth—and the accompanying chart shows that the gap is closing—risks in the fiscal space may become more pronounced amid mounting fiscal vigilance and the potential for future interest-rate shocks. Sustainable support for fiscal credibility likely requires cuts to entitlement spending and sizable revenue increases.
- From an allocation perspective, base rates across the developed markets have yet to show a sustainable downtrend this year, but they remain at compelling levels, particularly relative to cash and equities. Thus, we're emphasizing three market themes: remain flexibile in terms of duration and curve positioning; seek "safe" ways to capture the favorable fundamentals and technicals in spread sectors; and fade the extremes in market over-reactions and narratives.

Nominal GDP growth vs. Average Interest Rate on Public Debt



DEVELOPED MARKET RATES

- Although Moody's U.S. downgrade is consistent with the deteriorating deficit and debt picture, it's unlikely that the downgrade prompts forced selling. At this point, the documentation in many management agreements has been updated following the prior downgrades by S&P and Fitch.
- If we extrapolate our fiscal assessment above to the U.S. term premium, one scenario is that the premium out to 10-years keeps rising from about 70 bps currently towards the long-term mean of 145 bps. While the potential increase in the term premium appears consistent with a 5% U.S. long bond, the pressure on the back end of DM curves appears globally with today's 20-year JGB auction said to draw the weakest demand since 2012.
- MBS ended last week essentially unchanged as elevated mortgage rates keep supply muted. As noted above, there appears to be a lack of interest in adding duration, even at current levels. We continue to prefer seasoned 30-year coupons and select opportunities in Ginnie Maes.



Sources for charts: NY Fed, Macrobond, PGIM Fixed Income

IG CORPORATES

- In the U.S., IG corporate and CDX spreads tightened last week amid the recent U.S.-China tariff de-escalation. In addition, the S&P 500 was up last week by more than 5% and the VIX fell below 20. In commodities, gold (a safe haven / inflation hedge) was down 3.5%, while copper (a more growth oriented commodity) was up 1%.
- While the U.S. IG Index fully retraced the widening seen in April, it is still ~10 bps wider YTD. To this point, we note that, by quality, BBB-rated industrials underperformed single A-rated industrials, with the spread differential widening by 8 bps YTD. In addition, cyclicals, which were 20-30 bps wider, lagged non-cyclicals YTD.
- Over the week, energy and autos were among the top outperforming sectors, tightening by 15-20 bps. Higher-quality and lower-beta sectors were generally 2-4 bps tighter, e.g., in pharmaceuticals. (Note: Prescription drugs may be subject to most favored nation pricing by the Trump administration).
- In terms of single names, Charter communication's (aka Spectrum) acquisition of Cox Communications via a $34B deal led to 30-35 bps of tightening in Charter's spreads as they lowered their leverage target with this acquisition. United Healthcare (UNH) issues widened by 5 bps following a CEO change, their withdrawal of earnings guidance, and a DOJ investigation.

- In the primary market, issuance totaled $39B ($674B YTD). Demand for IG corporates remains strong. Deals were 4.5x oversubscribed and came with negative concessions (-2.1 bps, on average). In the secondary market, 2/3 of those deals were trading tighter. Last week's trading activity exceeded $40B per day, and foreign investors were net buyers of ~$2.5B of paper (primarily in the long end of the curve).
- In Europe, the IG market tightened by 5 bps last week, with the market now 1 bp tighter YTD. In terms of sectors, banks outperformed as spreads tightened.
- Issuance surged last week to become the second busiest week since COVID, totaling over €30B. Reverse Yankees (inclusive of Pfizer, Cencora, Paccar, Equinix, American Express, and Magna) represented ~30% of issuance, well above the 20% that reverse Yankees represent in the Index. This was driven by yield differentials in yields rather than spread. Overall, while performance of issues was strong at the beginning of the week it flattened out toward the end of the week.

LEVERAGED FINANCE

- U.S. HY spreads rallied last week on the U.S.-China trade talk breakthrough and resilient economic data, recouping most of the widening from mid-January to mid-April. Technical support was strong, as three weeks of inflows and light primary activity had investors lining up for a surge of new issuance. Last week's primary market was the busiest since January, with $11.3B across 12 transactions pricing.
- Returns across all HY credit tiers were positive, with CCCs outperforming. Performance across all sectors was also positive, with paper, consumer products, and air transportation outperforming, while cable, aerospace, and telecom were the weakest. Inflows picked up, with $2.6B—mostly into ETFs—flowing into the market. Last week's inflow was the largest since July 2024.
- Bank loans continued to gain—led by BBs—on positive trade developments, receding recession worries, and a solid Q1 earnings season thus far. With last week's gains, approximately 27% of the market is now trading above par, versus as little as 1% in early April. Technicals remain robust, with inflows on the rise and new issuance light. Last week's $1.22B of inflows marked the third consecutive week of positive flows for the asset class. Meanwhile, seven deals totaling $4.9B priced.
- European HY bonds and leveraged loans tightened last week, with bonds continuing to outperform loans YTD. Opportunities in European bank loans persist, with only 2% of the market trading above par, compared to 27% in the U.S. Inflows remain strong, with investors seeking to take advantage of attractive yields despite tight spreads. New issuance activity has resumed in both bonds and loans, with issuers taking advantage of demand.

EMERGING MARKETS

- EM sovereign spreads have now recovered almost all of the widening since April 2. Last week saw spread compression between HY and IG and, in particular, between Bs and CCCs. Much of the tightening was driven by idiosyncratic factors (e.g., Pakistan on de-escalation, Ecuador on the ability of Noboa to work with congress, oil rebound helping SSA, and Pemex on expected Mexican support) and improved risk sentiment. Venezuela has been a solid outperformer this month on expectations of a regime change. While relative value is warranted, we remain cautious around adding to overall risk levels and look for unique opportunities to reduce CCCs that have recovered.
- EMFX was marginally lower last week after six straight weeks of gains. The USD began this week on the backfoot following the downgrade of the U.S. by Moody's, however had retraced some of its losses by midday yesterday. High-carry currencies fared well last week, with the EGP, COP, TRY, and ZAR all outperforming. We retain conviction that the USD is likely to continue on its weakening trend on the back on the Trump administration's agenda and the likelihood that the Fed will resume cutting sometime later this year. We remain relative-value focused (high-carry longs against low-carry shorts) with a slight short USD bias.
- EM local rate yields were flat last week, trading with a weaker tone due to the mild selloff in U.S. Treasuries. India and Turkey were the largest outperformers while Czech and Brazil underperformed. In the swaps space, Hungary saw a 25 bps move higher across the curve and the Brazil curve steepened. The most noticeable price action was a relief rally in South Africa where a revision of the inflation target to 3% from the current 3-6% range triggered a rally at the back end of the curve. We have a barbell of long duration in low yielders (Korea, India, Thailand, and Czech) and high yielders (Brazil and South Africa).
- EM Corporate spreads tightened last week and have now recovered two-thirds of the spread widening since April 2. The strong macro tone continued, driven by the China tariff pullback and benign inflation data. Lower-rated and cyclical sectors bounced back strongly.

SECURITIZED PRODUCTS

- CMBS conduit spread tightening continued with secondaries into the low 90s, certain issues as tight as the mid-80s, and the long end of the curve outperforming. Subordinate tranches tightened as much as 50 bps on strong new issuance. SASB AAAs and subordinated tranches both tightened as much as 10 and 50 bps, respectively, driven by primary issuance. Seven deals priced-three SASB and CRE CIOs each, and one conduit.
- In RMBS, strong demand continued, with non-QM issues tightening as much as 30 bps and CRTs extending their rally on light volumes, largely via dealer support. Fourteen primary deals totaling $4.1B priced. While non-QM issuance of $2.7B across seven transactions led, issuance came from nearly all subsectors. Last week's volume brings YTD issuance to $58B.
- In U.S. CLOs, spreads continued to tighten. We are focused on benchmark issuers as the basis between non-benchmark has compressed due dealers' willingness to underwrite and support transactions. Euro CLOs remain firm on demand from Japanese investors, dealer support, and global investors stepping back in. In the primary market, about $4B across 10 deals in the U.S. and €1.7B from four transaction in Europe priced last week.
- ABS spreads tightened broadly as sub-sectors continued retracing to pre-Liberation Day levels. ABS remains comparably wide to corporates, which tightened significantly over the past several weeks. Elevated new issuance sold into strong demand, with many deals pricing at or inside of initial price guidance. This week's pipeline is heavy, as issuers look to price ahead of the Memorial Day holiday weekend in the U.S.

MUNICIPALS

- Last week, tax-exempt munis outperformed U.S. Treasuries. The 5-year, 10-year, and 30-year M/T yield ratios continued to decline, ending the week at 71%, 74%, and 90% (respectively). Meanwhile, there was little movement in taxable munis compared to corporates.
- On the fiscal front, there were no changes to the municipal tax exemption in the House spending bill. In fact, some provisions were positive for our market, such as changes to affordable housing requirements and a carry forward of AMT provisions.
- From a technical standpoint, heavy new issue supply continues. Net inflows have been driven by ETFs, which suggests that demand may be more tentative- especially as supply is expected to stay elevated.

THE RETURNS TABLE As of May 16, 2025

				Yield/ OAS Change (BPS)				Total Return (%)			
Sovereign Rates	**Duration**	**YTM**	**OAS**	**WTD**	**QTD**	**YTD**	**Prior Year**	**WTD**	**QTD**	**YTD**	**Prior Year**
U.S. 2-Year	1.85	4.00	---	13	12	-24	-79	-0.14	0.21	1.77	5.10
U.S. 5-Year	4.44	4.07	---	11	14	-29	-31	-0.28	-0.09	2.84	5.21
U.S. 10-Year	8.03	4.44	---	10	27	-9	10	-0.43	-1.22	2.73	3.59
U.S. 10-Year Breakeven	--	2.36	---	5	-1	2	4	---	---	---	---
U.S. 10-Year TIPS	4.31	2.11	---	5	28	-12	5	-0.13	-1.35	3.80	4.76
U.S. 20-Year	12.41	4.93	---	10	37	11	35	-0.75	-3.41	0.62	-0.63
U.S. 30-Year	15.58	4.91	---	10	37	16	43	-0.89	-4.47	-0.26	-2.34
U.S. SOFR	---	---	---	1	-11	-19	-101	0.08	0.56	1.65	4.96
UK 10-Year	7.74	4.65	---	10	-3	8	57	-0.54	0.82	0.71	0.71
Germany 10-Year	8.46	2.59	---	6	-15	23	13	-0.19	1.61	0.52	0.52
Switzerland 10-Year	9.92	0.30		4	-25	3	-40	-0.22	2.56	0.39	4.93
Japan 10-Year	8.56	1.45	---	13	-3	37	53	-0.78	-1.97	-1.97	-1.97
Australia 10-Year	8.45	4.45	---	22	7	9	27	-1.30	0.28	1.17	2.33
Canada 10-Year	8.03	3.17	---	-3	20	-6	-39	-0.06	-1.26	1.64	4.93
MAJOR FI MS INDICES											
Global Aggregate Unhedged	6.56	3.62	34	-3	0	-1	-3	-0.45	1.51	4.19	5.03
Global Aggregate Hedged	6.56	3.62	34	-3	0	-1	-3	-0.15	0.27	1.45	5.04
U.S. Aggregate	6.13	4.77	34	-3	-1	1	-3	-0.19	-0.75	2.01	4.50
Euro-Aggregate (Unhedged)	6.44	2.82	55	-3	0	-7	-6	0.00	1.29	0.38	3.62
Japanese Aggregate	8.53	1.38	0	-1	0	0	-1	-0.47	-0.56	-2.93	-3.78
MAJOR FI CREDIT INDICES											
Mortgage-Backed (Agency)	6.02	5.16	38	-2	2	-5	-8	-0.29	-0.85	2.17	4.85
Global IG Corporate Bonds	5.98	4.69	96	-9	-2	7	-2	-0.14	0.96	3.82	5.78
U.S. IG Corporate Bonds	6.91	5.29	90	-10	-4	10	2	0.19	-0.63	1.66	4.60
European IG Corporate	4.56	3.15	101	-7	3	-1	-10	0.07	1.03	1.02	5.31
U.S. High Yield Bonds	3.34	7.46	305	-37	-42	18	7	0.87	1.40	2.41	8.74
European High Yield Bonds	2.98	5.80	339	-25	-7	21	-11	0.52	1.13	1.68	8.28
U.S. Leveraged Loans	0.3	8.42	472	-20	-26	-3	-23	0.65	1.20	1.82	6.94
European Leveraged Loans	0.3	7.20	470	-17	-24	-2	-14	0.50	0.58	1.57	6.53
EM Hard Currency Sovs.	6.46	7.80	328	-17	-21	3	-36	0.81	0.75	2.72	6.97
EM Corporates	4.26	6.97	267	-12	2	26	-1	0.47	-0.08	2.34	6.98
EM Currencies	---	6.07	---	0	-1	-2	-1	-0.10	3.75	7.00	5.48
EM Local Rates	5.26	6.12	6	0	0	0	0	0.09	1.46	3.10	6.70
CMBS	3.98	5.01	88	-5	0	7	-8	-0.05	0.07	2.64	6.63
ABS	2.66	4.74	64	-6	4	20	9	-0.02	0.07	1.60	5.67
CLOs	3.77	5.12	141	-3	-2	1	-5	0.30	0.85	1.94	6.04
Municipal Bonds	6.60	4.04	---	-1	18	28	40	0.02	-0.53	-0.75	0.81

		Total Return (%)			
Equity/Volatility	Level	WTD	QTD	YTD	Prior Yr
S&P 500 Index	5,958	5.3	6.4	1.8	14.0
DAX	23,767	1.1	7.2	19.4	26.8
Stoxx 600	340	2.2	3.9	10.5	7.9
Nikkei 225	37,499	0.7	6.0	-4.5	-1.1
Shanghai Composite	3,368	0.8	1.1	0.9	11.6
MSCI ACWI Index	480	4.0	6.8	5.4	12.6
FTSE 100	8,630	1.8	1.9	8.1	6.7
MOVE Index	97	-3.7	-4.6	-2.1	5.3
VIX Index	19	-21.3	-22.6	-0.6	38.8

		% Change			
FX/Commodities	Spot	WTD	QTD	YTD	Prior Year
EUR/USD	1.1	-0.8	3.2	7.8	2.7
USD/JPY	145.7	0.2	-2.8	-7.3	-6.2
GBP/USD	1.3	-0.2	2.8	6.1	4.8
EUR/CHF	0.9	0.0	-2.2	-0.5	-5.0
USD/CHF	0.8	0.8	-5.3	-7.7	-7.6
USD (DXY)	101.1	0.8	-3.0	-6.8	-3.2
Oil	77.0	2.4	-12.6	-12.9	-21.1
Gold	3203.7	-3.6	2.6	22.1	34.8

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Sources: Bloomberg except EMD (J.P. Morgan), HY (ICE BofAML), Bank Loans (S&P), and CLOs (Palmer Square). European returns are unhedged in euros unless otherwise indicated. An investment cannot be made directly in an index

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Source(s) of data (unless otherwise noted): PGIM Fixed Income as of May 2025.

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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.

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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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