PGIM FIXED INCOME

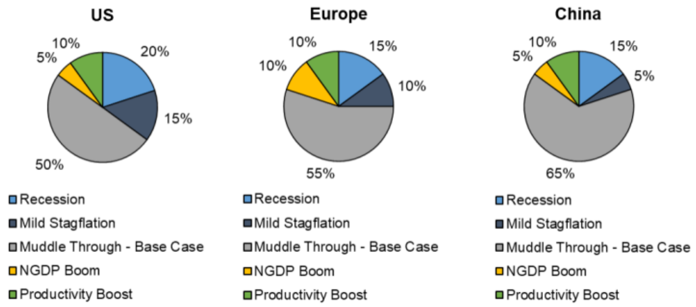
Muddling Through with Range Bound Rates, Spreads

WEEKLY VIEW FROM THE DESK | June 16, 2025

LINK TO WEEKLY RETURNS TABLE

MACRO

- With the midpoint of a highly volatile year approaching, we'll look at some of the adjustments to our global economic scenarios since our Q2 Outlook. Our base cases for the U.S., Euro Area, and China consists of a "Muddle Through" scenario, albeit to varying probabilities. In the U.S., our 50% probability is with growth risks skewed to the downside given the tariff situation, policy uncertainty, higher term rates, and a weakening economy. In this scenario, inflation risks are broadly balanced while a tariff overshoot and recession comprise the main upside and downside risks to inflation, respectively.



Source: PGIM Fixed Income

- In Europe, the 55% probability is with risks skewed to the downside given global trade risks. The right-growth tail reflects Europe's commitment to expansionary fiscal policy and potential for structural reforms. Inflation risks are more tilted to the downside than in the U.S. In China, the 65% probability is with risks skewed to the downside for growth as U.S.-China trade tensions could remain high. Risks to inflation are tilted to the downside given the potential for deflationary forces.
- From a market perspective, we continue to see stable to lower rates at the front end of yield curves (depending on monetary policy and with the likely exception of Japan). Meanwhile, we see range bound long rates, meaning that curves may bull steepen slightly if and as central banks cut policy rates. Credit spreads also appear range bound, likely with occasional volatility, as fundamentals continue to appear solid, macro confusion keeps management teams conservative, and technicals provide a steady tailwind. We expect that the downturn in the U.S. dollar will resume, likely indicating that most U.S. funding is being sourced domestically, rather than from overseas entities.

DEVELOPED MARKET RATES

- In terms of some additional color on our expectation for range bound interest rates, U.S. interest-rate swaps continue to narrow deeper into negative territory vs. cash interest rates. Expectations for a steady increase in Treasury supply may be another factor that is contributing to the general underperformance of cash rates vs. swaps.
- We anticipate that this week's Fed meeting will be relatively subdued except for the updates to the Fed's economic projections. Over the longer term, we expect two rate cuts over the next 12 months.
- In MBS, we're maintaining a cautious outlook as markets remain unsettled, despite dampened origination expectations and possible bank demand. We prefer exposure in a wide barbell of 30-year lower coupons and 30-year coupons slightly below par, while avoiding mid-stack coupons. Better cashflow and convexity profiles can be obtained in specified pools rather than sitting in TBAs.

IG CORPORATES

- Quarter to date, U.S. IG corporate spreads tightened 12 bps to 85, making a meaningful rebound from the post April 2nd wide of 119. The long U.S. Corp Index tightened 14 bps, QTD, as yields approached 6% and supply remained limited supply. In terms of quality, BBB-rated bonds outperformed A- and AA-rated bonds, tightening 13 bps QTD. That stated, BBBs are still lagging YTD. At this point, further compression in BBB spreads will likely come from upgrades (i.e., to AA or A rating).
- Performance by Industry: Media & entertainment (40 bps tighter), cable & media (30 bps tighter), and aerospace & defense (21 bps tighter) were the strongest performers QTD. Notwithstanding last week's tragedy, Boeing continues to do well as it has started to deliver on plan to increase production of its 737 MAX aircraft to 47 per month by the end of 2025.
- While utilities have performed well (11 bps tighter) QTD, they have lagged YTD due to exposure to companies (e.g., EIX) affected by the wildfires in CA. In addition, automotives were just 3 bps tighter QTD due to its vulnerability to tariff uncertainty. This has also led to underperformance YTD.
- Technicals: Supply in May was well-absorbed, highlighting the strength of market technicals. Gross supply YTD has come in near $800B. Gross supply is expected to total ~$1.5T for 2025. Similar to May, supply is expected to be well-absorbed due to investor demand.
- Risks: The "muddle through" economic environment is generally favorable for credit. However, concerns include the impact of tariffs, potential volatility from U.S. budget talks, and geopolitical risks affecting energy prices and inflation.
- In Europe, spreads are 1 bp tighter QTD and 5 bps tighter YTD at 97. The volatility following April's tariff announcement has dramatically subsided. Against this backdrop, EUR spreads are now flat to where they were prior to April 2nd. In addition, the YTD differential between the U.S. and EUR market is currently ~12 bps.

LEVERAGED FINANCE

- As a YTD recap, solid momentum in the U.S. business cycle prevailed in H1 2025, but trade tensions and policy shifts took their toll. Forecasts from Q1 2025 earnings were tempered, and capex is expected to ease. HY spreads have whipsawed in Q2, but are ultimately tighter as the period draws to a close. Overall, the technical environment remains firm, with YTD inflows positive and primary issuance relatively light.

- Thus far in Q2, performance across credit tiers is positive, with BBs outperforming Bs, and Bs outperforming CCCs. Sector performance is mostly positive, with media, healthcare, and technology as the top performers, while paper, consumer products, and super retail are the weakest. Notably, the U.S. HY market's Q1 supply deficit of $3.5B turned into surplus of $16.1B in Q2. This follows supply deficits of $74B, $158B, and $232B for 2024, 2023, and 2022, respectively. While retail flows remain negative at $1.9B QTD despite several weeks of inflows recently, YTD flows are net positive at $5.2B.
- Overall, the broadly syndicated loan (BSL) market remains on solid ground with positive YTD flows and performance while around 25% of the market trades at or above par. Demand remains solid, with investors open to various types of primary transactions, including dividends, M&As, and LBOs. The trend of private credit takeouts of BSLs has two sides, with loans moving between the markets and PE shops exploring both avenues. In the primary market QTD, $66.3B has priced, with nearly 40% supporting refinancing, followed by another near 40% for acquisitions.
- European HY bond and bank loan spreads have tightened QTD, with solid technicals driving performance. Both are at the tight end of their respective three-year range, and well off from their post-U.S. tariffs announcement wides. HY bond issuance of approximately €38B thus far in Q2 2025 is 30% less than the year-ago period in 2024, and heavily weighted toward refinancing. For loans, QTD issuance of €17B is 50% less than the year-ago period and heavily weighted toward refinancing as well.

EMERGING MARKETS

- EM hard currency spreads are at the tight end of their 2025 range, with broad dispersion persisting between rating categories. From a valuation standpoint, EM hard currency debt stands out in a world of compressed spreads and tight valuations across fixed income, particularly given the stable-to-improving credit trajectory in many EMs. However, clear headwinds persist, with continued uncertainty regarding the timing and magnitude of the tariffs and their impact on global growth, flows, and U.S. rates. The escalation of events in the Middle East raises the risks of a spike in oil prices and further negative shocks to trade and growth.
- Geopolitics, the re-mapping of the world order, and consequences of related growth shocks, help define the potential tail risks. However, for EMD investors, these factors also present opportunities. Technicals remain relatively supportive for the asset class as dedicated investors are generally light risk, and crossover investors are attracted to the yield and diversification. We continue to prefer high-carry, yet resilient BB issuers, such as Brazil, Serbia, Guatemala, Ivory Coast, Colombia, Dominican Republic and Costa Rica. We also prefer idiosyncratic stories in Argentina, Ecuador, Ghana, El Salvador, Egypt, Zambia and Angola. Additionally, we see relative value opportunities within individual, higher-quality countries.
- In EMFX, broad USD weakness has taken place so far in Q2 as every EM currency has shown positive performance—even in the face of higher U.S. yields. Looking forward to Q3, we continue to expect a weakening, but mixed, USD and remain relative-value focused (high-carry long versus low-carry short). After outperforming U.S. Treasuries thus far in Q2, we expect EM local bond outperformance to continue in Q3 and prefer alpha opportunities in select bottom-up stories, which should benefit from a stable to depreciating USD.
- EM corporates continue to offer opportunities to diversify, and the asset class has experienced fewer idiosyncratic surprises over the last 12-18 months. Non-dedicated investors have shown appetite for the asset class given the spread pick-up, which looks even more attractive given the rally in U.S. HY. We still see the best value in EM corporate BBs and longer-dated BBB issuers.

SECURITIZED PRODUCTS

- In CMBS, valuations for most property types have stabilized and we expect price appreciation to be flat for the year—likely no V-shaped recovery given long-term rate expectations. We expect DQ/SS/Modification rate increases to continue as loans reach final maturity and refi challenges prevail. Elevated SASB supply has kept spreads reasonable, and we see value in high-quality deals with structural protections. In conduit, we favor shorter spread duration with five-year AAAs trading wide of 10-year bonds.
- In RMBS, relatively tight inventories and strong demographics continue to support housing values despite historically high mortgage rates and regional pockets of softness in the sunbelt. While delinquencies are increasing among lower-tier borrowers, mortgage credit is solid overall. As non-QMs are the most scalable opportunity to gain mortgage credit exposure, we favor less negatively convex collateral subtypes. We are adding AAA, second-lien/HELOC deals in the mid-100s that are conservatively underwritten with low LTVs.
- CLO spreads remain inside long-term averages, but wide of YTD tights. We expect mixed valuations near term. Senior CLO tranches continue to offer attractive relative value compared to many fixed income asset classes. We are currently seeing the most value in senior tranches, while selectively adding higher-quality mezzanine tranches. While collateral fundamentals remain solid–e.g., revenue and earnings growth continued through Q1 2025—tail risks remain, with 10% of the BSL market showing stressed interest-coverage ratios.
- In ABS, the consumer remains stretched, especially with non-prime-taking on more debt due to inflation and above-trend consumption. We note signs of improvement in newer vintage collateral. Credit spread compression across the capital stack and among issuers remains prevalent. We favor top-tier unsecured consumer and subprime auto issuers, as well as significant risk transfers (SRTs) as they offer attractive carry for short-duration bonds.

MUNICIPALS

- YTD, the tax-exempt muni index has underperformed Treasuries by over 7%. This is due to heavy supply, which is currently ~20% above the $500B record set last year. YTD, Muni bonds have cheapened over Treasuries. M/T yields ratios on the 5-year, 10-year, and 30-year ended last week at 68%, 75%, and 92% (respectively). In addition, the steepness of the muni curve has become more attractive YTD, with a +120 bps differential in 10s30s.
- Fundamentals for munis remain strong. Tax collections grew 4.5% in 2024. This is expected to grow 1.9% in 2025, in line with GDP. In addition, upgrades continue to outpace downgrades by 1.4x. While fundamentals are resilient there are a handful of sectors we are watching, e.g., local governments, healthcare, and higher education.
- The technical outlook remains mixed, with increased reinvestment and positive flows since early April partially offsetting heavy supply. Outflows tied to April 2nd (-$6.4B) quickly reversed into five straight weeks of positive flows (+$4.7B). YTD, inflows into the munis has been positive, totaling $9.3B.

THE RETURNS TABLE As of June 13, 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	1.86	3.95	---	-9	6	-29	-80	0.23	0.54	2.10	4.91
U.S. 5-Year	4.44	4.00	---	-12	5	-38	-32	0.56	0.46	3.40	4.75
U.S. 10-Year	7.97	4.40	---	-11	19	-17	8	0.83	-0.67	3.31	2.67
U.S. 10-Year Breakeven	--	2.29	---	-3	-8	-5	6	---	---	---	---
U.S. 10-Year TIPS	4.27	2.10	---	-8	27	-13	2	0.71	-1.19	3.96	3.95
U.S. 20-Year	12.50	4.91	---	-9	31	5	35	0.93	-3.24	0.79	-2.09
U.S. 30-Year	15.62	4.90	---	-8	32	11	42	1.00	-4.19	0.03	-4.28
U.S. SOFR	---	---	---	-1	-13	-21	-103	0.08	0.89	1.99	4.88
UK 10-Year	7.68	4.55	---	-9	-12	-2	42	0.81	1.94	1.83	1.83
Germany 10-Year	8.40	2.53	---	-4	-20	17	0	0.39	2.27	1.18	1.18
Switzerland 10-Year	9.85	0.26		-7	-28	-1	-50	0.70	2.93	0.75	6.10
Japan 10-Year	8.53	1.40	---	-4	-8	32	42	0.40	-1.43	-1.43	-1.43
Australia 10-Year	8.54	4.15	---	-11	-23	-21	-12	1.02	3.17	4.09	4.94
Canada 10-Year	8.06	3.37	---	3	40	15	-2	-0.18	-2.60	0.26	3.51
MAJOR FI MS INDICES											
Global Aggregate Unhedged	6.57	3.58	33	0	-1	-1	-5	0.81	3.33	6.05	6.91
Global Aggregate Hedged	6.57	3.58	33	0	-1	-1	-5	0.41	0.89	2.07	5.14
U.S. Aggregate	6.12	4.71	33	-1	-2	0	-4	0.67	-0.09	2.69	4.00
Euro-Aggregate (Unhedged)	6.45	2.79	55	2	-1	-7	-10	0.12	1.74	0.83	4.74
Japanese Aggregate	8.68	1.37	0	0	0	0	0	0.19	-0.15	-2.53	-3.05
MAJOR FI CREDIT INDICES											
Mortgage-Backed (Agency)	6.00	5.13	39	-3	3	-4	-6	0.88	-0.27	2.78	4.18
Global IG Corporate Bonds	5.99	4.60	91	0	-6	3	-7	0.87	2.90	5.82	7.24
U.S. IG Corporate Bonds	6.92	5.20	85	0	-9	5	-3	0.66	0.38	2.70	4.45
European IG Corporate	4.61	3.10	97	1	-1	-5	-15	0.17	1.59	1.58	5.93
U.S. High Yield Bonds	3.37	7.42	308	8	-39	21	6	0.15	2.14	3.17	8.80
European High Yield Bonds	2.93	5.59	324	6	-21	7	-27	-0.07	1.73	2.28	8.13
U.S. Leveraged Loans	0.3	8.36	471	5	-27	-4	-23	0.01	1.66	2.29	6.86
European Leveraged Loans	0.3	6.98	452	0	-42	-20	-18	0.11	1.46	2.46	6.55
EM Hard Currency Sovs.	6.44	7.71	322	3	-28	-4	-64	0.49	1.86	4.47	7.91
EM Corporates	4.26	6.88	264	5	-2	23	-4	0.39	0.70	3.15	6.94
EM Currencies	---	5.67	---	0	-2	-3	-2	0.47	5.83	9.15	9.45
EM Local Rates	5.28	6.08	6	0	0	0	-1	-0.04	2.02	3.67	7.34
CMBS	3.94	4.91	84	-1	-3	4	-10	0.55	0.79	3.38	6.25
ABS	2.61	4.61	57	1	-4	13	1	0.29	0.68	2.22	5.55
CLOs	3.74	5.06	138	0	-5	-2	-9	0.12	1.28	2.38	5.98
Municipal Bonds	6.73	4.02	---	-3	17	28	32	0.25	-0.58	-0.80	0.61

		Total Return (%)			
Equity/Volatility	Level	WTD	QTD	YTD	Prior Yr
S&P 500 Index	5,977	-0.4	6.8	2.2	11.5
DAX	23,516	-3.2	6.1	18.1	28.7
Stoxx 600	545	-1.6	3.9	10.1	9.3
Nikkei 225	37,834	0.2	6.2	-4.3	-0.4
Shanghai Composite	3,377	-0.1	1.7	1.5	15.2
MSCI ACWI Index	890	-0.2	8.2	6.9	13.5
FTSE 100	8,851	0.2	4.1	10.4	12.4
MOVE Index	95	6.3	-6.0	-3.5	3.7
VIX Index	21	24.2	-6.6	20.0	74.4

		% Change			
FX/Commodities	Spot	WTD	QTD	YTD	Prior Year
EUR/USD	1.2	1.3	6.8	11.5	7.6
USD/JPY	144.1	-0.5	-3.9	-8.4	-8.3
GBP/USD	1.4	0.3	5.1	8.4	6.3
EUR/CHF	0.9	0.0	-2.0	-0.3	-2.4
USD/CHF	0.8	-1.3	-8.2	-10.6	-9.2
USD (DXY)	98.2	-1.0	-5.8	-9.5	-6.7
Oil	73.0	13.0	2.1	1.8	-7.2
Gold	3432.3	3.7	9.9	30.8	49.0

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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 June 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.

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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