PGIM

# When Doves Pry

**WEEKLY VIEW FROM THE DESK** | September 22, 2025

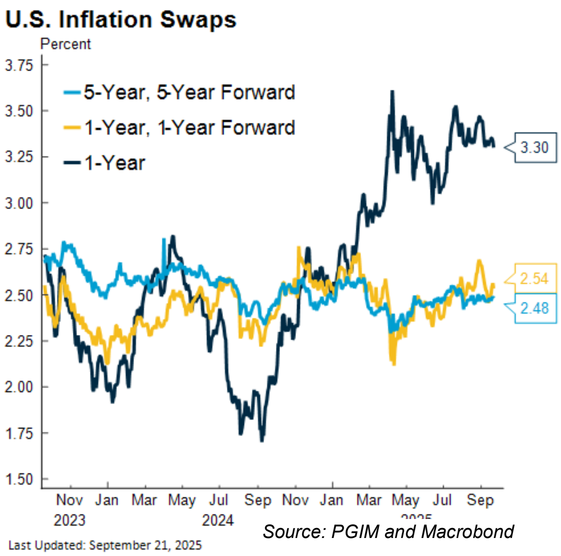
LINK TO WEEKLY RETURNS TABLE

## MACRO

- We pick up our economic insights with the key risk of our recently updated economic scenarios. In our "overheating" case (25% probability in the U.S.), the Fed delivers easy monetary policy despite above-trend growth, loose fiscal policy, and rising inflation. As indicated in the accompanying table, a Fed funds rate below neutral, e.g., 2.5%, is a prominent feature of an overheating scenario.
- Under a Powell-led Federal Reserve, the latest summary of economic projections indicates a steady approach to the neutral rate—estimated to be in the 3% area—with the median 2027 Fed funds estimate at 3.1%.

| | **Real GDP Growth** (4 quarter %, EOP) | **Core PCE Inflation** (4 quarter %, EOP) | **Fed Funds Rate** (%, EOP) | **Probability** (Percent) |
|---|---|---|---|---|
| **Muddle Through (Modal Case)** | 1.3 | 2.8 | 3.25 | 40 |
| **Overheating (Key Risk)** | 3.0 | 4.0 | 2.5 | 25 |

- However, the most recent Fed meeting provided a glimpse into the possible post-Powell reaction function with a low, outlying dot of about 2.75% in 2025 and less than 2.5% in 2027. The low-lying projection is widely assumed to be from newly confirmed Fed Board member Stephen Miran, who dissented in the statement in favor of a 50 bps cut and is taking unpaid leave from the White House Council of Economic Advisers.
- Given the indications for the Administration's dovish reaction function for the Fed, the probability for a policy mistake potentially rises, particularly amid three specific drivers that could keep inflation elevated well into 2026. Tariff pass-through effects are becoming more apparent in core goods prices and those effects should continue to gradually emerge; labor supply is falling nearly as fast as labor demand, creating downward rigidity in wages and prices; and fiscal policy should remain stimulative through 2026, likely contributing to the largest non-war and recession deficits in U.S. history.
- Furthermore, if Lisa Cook is removed as a Fed governor, the majority of the Board of Governors could be appointed by the Trump Administration within weeks or months of the Cook decision. That could consequently lead to a reappointment cycle amongst the regional Fed presidents as well as potential calls to amend the Fed's mandate, oversight, and operations. As for potential market-related signposts to monitor, U.S. 5-year 5-year forward inflation swaps (see accompanying chart) and capital flows will be informative as indications of perceived erosion of the Fed's institutional strength.




Source: PGIM and Macrobond

## DEVELOPED MARKET RATES

- Following last week's Fed cut, the market priced in a 90% probability for a 25 bps cut in October and likely another in December for a total of 46 bps priced in through year end. At this point, about three cuts are priced in next year, and the market is taking the latest, low-outlying Fed funds projections in stride as a 3.0% rate is priced in by the end of 2026.
- While the back end of DM yield curves drew ample attention before the latest Fed meeting, they may warrant ongoing attention as the long end of the U.S. yield curve historically stops rallying after the first Fed rate cut in a cycle. Considering the volatility and elevated yields at the back of global curves, participants will continue watching for subsequent developments at the back of the curves.
- MBS spreads generally tightened in recent weeks. The market has experienced increased refinancing activity, and further declines in mortgage rates could trigger more selling of higher-coupon bonds amidst rising prepayment risks. Indeed, origination activity has also shifted down towards 30-year 5% and 5.5% coupons.

## IG CORPORATES

- In the U.S., IG corporate spreads reached a new YTD tight of 72 (tightening by 2 bps) while CDX was unchanged last week. By sector, higher-beta sectors like financials, energy, autos, and chemicals, led the tightening. In quality, BBB-rated bonds slightly outperformed A-rated bonds.
- Last week's issuance totaled $31B, primarily in shorter Yankee financials and longer-dated utilities. Deals were 4.5x over-subscribed and came with no concessions (on average). Deals generally tightened by 3-4 bps in the secondary market. This week, $35B in new supply is expected and is likely to result in record issuance for September.

- EUR IG also had a strong week with spreads tightening to an OAS+78 (YTD tights) as BBB-rated bonds compressed relative to A-rated bonds. We saw very little spread reaction to Fitch's downgrade of France to A+. In fact, despite a 10-year OAT-Bund spread of 80 bps remaining towards the high end of the recent range, French Bank spreads have reversed nearly all of their widening post Bayrou's confidence vote announcement.
- The primary market remains active with €15B of supply (in-line with forecasts), with issuance again pricing with no concession (a favorable execution dynamic). Dealers are calling for €10B-€15B of supply this week.

## LEVERAGED FINANCE

- The grind tighter continues as U.S. HY bond spreads eased to six-month tights and yields reached a three-year low last week. Steady inflows and a busy primary persist, underscoring the resilient strength of the technical environment—robust issuance volumes have yet to absorb investor cash balances to a point where bonds flow into the secondary market as investors raise cash.
- All credit tiers saw positive returns, with CCCs broadly outperforming and Bs outperforming BBs. Industry performance was mixed, with containers, energy, and super retail performing the best, while paper and cable lagged on negative performance. HY retail flows were positive, with $940M of flowing in, bringing YTD flows to $15.8B. In the primary market, $9.3B priced (the third consecutive week of over $9B of issuance) across 14 deals priced.
- U.S. loans were flat while technicals remain constructive, supported by upcoming quarter-end amortizations, continued public-to-private market paydowns, and rebounding retail net inflows totaling $125M. The percentage of loans trading at our above par remains just below 50%. The primary market remains highly active, with $31B pricing across 35 deals, including the highest level of new money activity in recent months.
- European HY bonds and leveraged loans tightened last week with Bs outperforming BBs and CCCs lagging, further highlighted the bifurcated market. Over half of the European loan market is trading above par, indicating strong demand. Technicals remains strong, with ongoing weekly inflows and robust CLO creation that includes new managers. In the primary market, six bond deals totaling €4B and five loan transactions totaling €3.5B priced.

## EMERGING MARKETS

- EM hard currency spreads were relatively flat last week, with a fair amount of dispersion in CCCs. Argentina sold off last week, but rebounded yesterday after U.S. Treasury Secretary Bessent pledged to provide support to President Milei. Ecuador traded off amid protests following the removal of fuel subsidies. Mexico issued €5B and $8B to fund the Pemex buyback. Given the tight spread levels, we remain somewhat cautious over the near term, but expect resiliency to continue over the longer term.
- Within EMFX, LatAm continued its strong performance as high-carry currencies continued to outperform low-carry currencies. BRL, MXN, COP, and CLP were among the top performers. CZK and HUF also did well as the central banks continue to lean more hawkish. We remain relative-value focused (long high carry versus short low carry) with a small, short USD bias. In EM local rates, high yielders, such as Turkey, South Africa, Indonesia, Hungary, Romania, and Brazil, outperformed. Last week's rally was led more by longer-tenor bonds than swaps, leading us to believe that inflows are still trickling in despite the strong YTD rally.
- EM corporate spreads tightened again as issuance came with limited concessions and was still met by strong demand. CPI data from across the region will be released this week, which is likely to impact onshore credit conditions and may determine how many corporates come to the USD market before year end. India had seen some improvement in relations with the US but the headlines around H1-B visas shows that things are likely to remain choppy. We expect carry conditions to persist over the near term as fundamentals appear resilient, but geopolitical headlines loom as a potential risk factor.

## SECURITIZED PRODUCTS

- AAA spreads across CMBS conduit and CRE CLOs were little changed, while subordinate conduit tranches were directionally wider. Primary floating-rate SASB AAAs were marginally wider while subordinate tranches were unchanged and fixed rates continued to trade well. Three primary market deals priced—one agency, one conduit, and one SASB. The SASB pipeline remains active and we've noted an uptick in CRE CLO issuance.
- In RMBS, the non-QM pause continued last week under the weight of heavy new issuance, which is expected to persist and weigh on pricing. Flat curves are dampening demand for BBBs, increasing the likelihood of further widening. Ten deals totaling $3.8B priced, four of which were second-liens and three were non-QM totaling $1.5B and $1B, respectively.
- Benchmark AAA U.S. CLO spreads tightened last week, while mezzanine tranches softened under the weight of elevated supply. The benchmark vs. non-benchmark basis further decompressed to 10 bps. Primary issuance totaled $12.6B across 25 deals in the U.S. and €2.7B priced across six deals in Europe. The U.S. saw eight new issues, 13 resets, and four refis, while Europe saw four new issues and two resets.
- ABS spreads were mixed, with EU consumer loans tightening and U.S. consumer loans widening. Senior credit cards, prime auto, and unsecured consumer were trading at T+37, T+40-50, and T+90-100 bps, respectively. The ABS vs. corporates spread remains 10 bps wide of YTD tights, which we believe is fair. We anticipate a slower primary market in the U.S. while issuance is expected to remain elevated in Europe and Australia this week.

## MUNICIPALS

- September (MTD) has been [a very strong month for munis](), generating a MTD total return of 2.67%. This marks the best monthly performance since September 2009. YTD, IG and HY munis were also up 2.5% and 1.5% (respectively).
- Muni valuations are getting more expensive as the market outperforms, although HY continues to lag on the margin. Notably, the 30yr M/T ratio has fallen below 90% from the mid-90s. The 5-year, 10-year, and 30-year M/T yield ratios ended last week at 59%, 70%, and 89%, respectively.
- Last week's supply was very light and was easily digested due to mid-month reinvestment activity and fund inflows of as Treasury yields moved lower. This week we expect a heavier $14B calendar and limited reinvestment.

## **THE RETURNS TABLE** As of September 19, 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 | 3.57 | --- | 2 | -15 | -67 | -1 | 0.05 | 1.01 | 3.72 | 3.47 |
| U.S. 5-Year | 4.47 | 3.68 | --- | 4 | -12 | -70 | 20 | -0.14 | 1.32 | 6.02 | 2.96 |
| U.S. 10-Year | 7.99 | 4.13 | --- | 6 | -10 | -44 | 41 | -0.44 | 1.86 | 6.98 | 0.95 |
| U.S. 10-Year Breakeven | -- | 2.39 | --- | 2 | 11 | 5 | 23 | --- | --- | --- | --- |
| U.S. 10-Year TIPS | 4.45 | 1.74 | --- | 4 | -19 | -49 | 19 | -0.35 | 2.91 | 8.88 | 3.59 |
| U.S. 20-Year | 12.66 | 4.71 | --- | 7 | -6 | -15 | 61 | -0.76 | 1.98 | 4.79 | -4.24 |
| U.S. 30-Year | 15.79 | 4.75 | --- | 6 | -3 | -4 | 69 | -0.96 | 1.67 | 3.86 | -7.03 |
| U.S. SOFR | --- | --- | --- | -28 | -31 | -35 | -68 | 0.09 | 0.98 | 3.20 | 4.60 |
| UK 10-Year | 7.60 | 4.71 | --- | 4 | 23 | 15 | 82 | -0.24 | -0.69 | 1.81 | 1.81 |
| Germany 10-Year | 8.56 | 2.75 | --- | 3 | 14 | 38 | 55 | -0.23 | -0.16 | -0.16 | -0.16 |
| Switzerland 10-Year | 9.62 | 0.18 | --- | -5 | -23 | -9 | -27 | 0.45 | 2.25 | 1.58 | 3.28 |
| Japan 10-Year | 8.36 | 1.64 | --- | 5 | 21 | 55 | 80 | -0.40 | -1.47 | -1.47 | -1.47 |
| Australia 10-Year | 8.27 | 4.24 | --- | 3 | 8 | -12 | 31 | -0.13 | 0.26 | 4.50 | 1.87 |
| Canada 10-Year | 8.18 | 3.20 | --- | 1 | -7 | -3 | 27 | -0.04 | 1.33 | 5.19 | 5.19 |
| **MAJOR FI MS INDICES** | | | | | | | | | | | |
| Global Aggregate Unhedged | 6.47 | 3.45 | 29 | -1 | -4 | -6 | -10 | -0.07 | 0.64 | 7.96 | 2.61 |
| Global Aggregate Hedged | 6.47 | 3.45 | 29 | -1 | -4 | -6 | -10 | -0.08 | 1.15 | 3.99 | 2.94 |
| U.S. Aggregate | 6.06 | 4.32 | 27 | -1 | -5 | -7 | -9 | -0.19 | 2.09 | 6.20 | 2.62 |
| Euro-Aggregate (Unhedged) | 6.31 | 2.89 | 47 | -1 | -4 | -15 | -20 | -0.11 | -0.07 | 0.77 | 1.41 |
| Japanese Aggregate | 8.52 | 1.60 | 1 | 0 | 0 | 1 | 0 | -0.09 | -1.47 | -4.01 | -5.27 |
| **MAJOR FI CREDIT INDICES** | | | | | | | | | | | |
| Mortgage-Backed (Agency) | 5.60 | 4.68 | 29 | 0 | -8 | -14 | -9 | -0.19 | 2.57 | 6.90 | 3.06 |
| Global IG Corporate Bonds | 6.03 | 4.28 | 76 | -2 | -12 | -12 | -25 | 0.00 | 1.99 | 9.54 | 5.26 |
| U.S. IG Corporate Bonds | 7.01 | 4.76 | 72 | -3 | -11 | -8 | -19 | -0.13 | 2.73 | 7.02 | 3.52 |
| European IG Corporate | 4.54 | 3.07 | 78 | -2 | -14 | -24 | -37 | 0.03 | 0.78 | 2.60 | 3.92 |
| U.S. High Yield Bonds | 3.09 | 6.58 | 262 | -8 | -28 | -25 | -37 | 0.34 | 2.65 | 7.34 | 7.65 |
| European High Yield Bonds | 2.92 | 5.14 | 276 | -13 | -45 | -42 | -90 | 0.24 | 1.80 | 4.14 | 6.59 |
| U.S. Leveraged Loans | 0.3 | 7.90 | 447 | 1 | -12 | -28 | -48 | 0.08 | 1.60 | 4.61 | 7.21 |
| European Leveraged Loans | 0.3 | 7.14 | 464 | -2 | 1 | -8 | -14 | 0.17 | 0.86 | 3.26 | 5.70 |
| EM Hard Currency Sovs. | 6.58 | 7.13 | 290 | 1 | -32 | -35 | -79 | -0.28 | 4.41 | 10.60 | 8.23 |
| EM Corporates | 4.40 | 6.31 | 238 | -5 | -28 | -3 | -37 | 0.15 | 3.23 | 7.40 | 6.87 |
| EM Currencies | --- | 5.95 | --- | 0 | 0 | -2 | 0 | 0.19 | 0.95 | 11.49 | 7.00 |
| EM Local Rates | 5.33 | 5.85 | 6 | 0 | 0 | -1 | 0 | 0.29 | 2.12 | 6.63 | 5.87 |
| CMBS | 3.87 | 4.47 | 77 | -1 | -7 | -3 | -18 | -0.07 | 1.76 | 6.33 | 4.68 |
| ABS | 2.75 | 4.14 | 50 | 0 | -7 | 6 | -14 | 0.00 | 1.58 | 4.55 | 4.47 |
| CLOs | 3.88 | 4.68 | 133 | 0 | -3 | -7 | -14 | 0.11 | 1.27 | 4.00 | 5.87 |
| Municipal Bonds | 6.28 | 3.56 | --- | -2 | -40 | -19 | 23 | 0.24 | 3.31 | 2.95 | 1.84 |

| | | Total Return (%) | | | |
|---|---|---|---|---|---|
| Equity/Volatility | Level | WTD | QTD | YTD | Prior Yr |
| S&P 500 Index | 6,664 | 1.2 | 7.7 | 14.4 | 18.2 |
| DAX | 23,639 | -0.2 | -1.1 | 18.7 | 24.4 |
| Stoxx 600 | 554 | -0.1 | 2.7 | 12.4 | 9.9 |
| Nikkei 225 | 45,046 | 0.6 | 11.3 | 14.2 | 23.6 |
| Shanghai Composite | 3,820 | -1.2 | 12.0 | 16.6 | 43.2 |
| MSCI ACWI Index | 982 | 1.0 | 7.3 | 18.4 | 19.2 |
| FTSE 100 | 9,217 | -0.7 | 6.0 | 16.0 | 14.6 |
| MOVE Index | 73 | -1.2 | -19.7 | -26.6 | -21.7 |
| VIX Index | 15 | 4.7 | -7.7 | -11.0 | -5.4 |

| | | % Change | | | |
|---|---|---|---|---|---|
| FX/Commodities | Spot | WTD | QTD | YTD | Prior Year |
| EUR/USD | 1.2 | 0.1 | -0.3 | 13.4 | 5.2 |
| USD/JPY | 148.0 | 0.2 | 2.7 | -5.9 | 3.7 |
| GBP/USD | 1.3 | -0.6 | -1.9 | 7.6 | 1.4 |
| EUR/CHF | 0.9 | 0.0 | -0.1 | -0.6 | -1.3 |
| USD/CHF | 0.8 | -0.1 | 0.3 | -12.3 | -6.2 |
| USD (DXY) | 97.6 | 0.1 | 0.8 | -10.0 | -3.0 |
| Oil | 62.7 | 0.0 | -3.7 | -12.6 | -12.9 |
| Gold | 3685.3 | 1.2 | 11.6 | 40.4 | 42.5 |

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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 as of September 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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