

# Fed's Destination in Sight, Timing Less So

WEEKLY VIEW FROM THE DESK | September 8, 2025

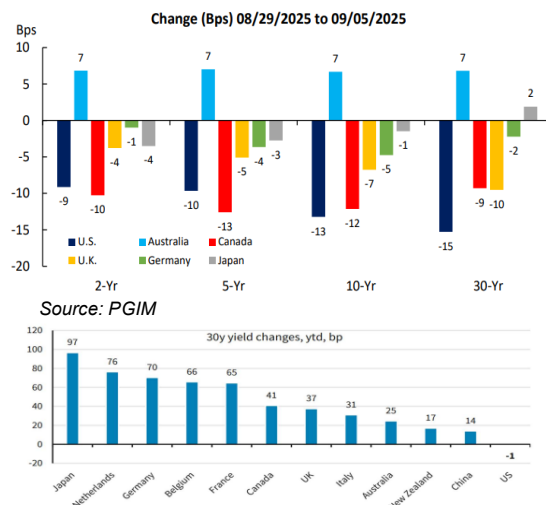
[LINK TO WEEKLY RETURNS TABLE](#)

## MACRO

- The August payroll report in the U.S. introduced a notable shift to monetary policy expectations and market dynamics. We previously [flagged the fading momentum](#) in the U.S. labor market, which was confirmed by the August payroll report as three-month job gains fell to their lowest ex-pandemic level since 2010. Furthermore, employment in cyclical sectors, such as construction and manufacturing, contracted last month with healthcare and education—two sectors facing sizable Federal funding cuts—largely responsible for job growth.
- At this point, the interest-rate destination for a Powell-led Federal Reserve appears clear—the estimated neutral policy rate—while the pace of getting to the destination is more uncertain. That said, given our expectation for inflation to remain above 3% well into 2026, we believe the Fed will continue to ease policy gradually with a series of 25 bps rate cuts into next year until it hits neutral, which we estimate at 3.0-3.5%.
- The gradual approach will provide the Fed with the time to assess tariffs' impact on inflation, labor supply, and the effects of fiscal policy. After Powell's term ends in mid-2026, rate cuts below the estimated neutral level in an elevated inflation environment could prompt thicker tails across our economic scenarios, which we will update in our [upcoming Q4 Outlook](#).
- From a market perspective, we see the August U.S. payroll report as a positive development, mildly so for rates (see the following DM rates section) and more so for risk assets, i.e. equities and the spread sectors. Indeed, at this point, corporate performance appears steady and financial conditions are likely to become more accommodative for the corporate sector and tangential asset classes. Expectations for a declining Fed funds rate could also reduce investors' broader concerns about fixed income (i.e., volatility in long-term bonds) considering the positively sloped yield curve.
- In terms of developments in France, we believe President Macron will appoint a centrist, left-leaning PM to manage negotiations and absorb political pressure. We expect a budget package to require extensive negotiation and coalition forming, but eventually should contain a mix of tax rises and expenditure cuts. While French spreads to bunds are approaching those of Italy's after exceeding those in Portugal, Spain, and Greece, France has already financed c.85% of its financing needs for 2025 which reduces the risk of further pressure on spreads from increased issuance.

## DEVELOPED MARKET RATES

- Our expectation for a mild tailwind for rates is due to Fed funds market pricing, which has 140 bps of rate cuts priced in, which would take the Fed Funds rate from 4.375% to about 2.875%. For the market to exceed that pricing, it would likely need [a dovish voting slate at the Fed](#) and/or rapidly falling growth and inflation. While long-term rates may have a tail wind from lower cash rates, they will continue to face questions about fiscal conditions, policy credibility, and inflation.
- Potential questions around future Fed policy credibility could exacerbate the pressure at the back of global yield curves, particularly considering the recent political upheaval in Japan and France. However, the accompanying chart is worth noting given that the U.S. long bond has outperformed those of other DM countries, particularly Japan and a set of European countries.
- Mortgage spreads tightened by 4–6 bps over the last few weeks, with 30-year bonds seeing the most duration demand. Overseas buyers, convexity buyers, and mortgage REITS have added to positions recently. However, the share of high coupon bonds in the index has grown to about 13%, making prepayment risk more relevant if rates continue to decline.



## IG CORPORATES

- In the U.S., the IG spreads were unchanged at 77. While the CDX was also unchanged, both the S&P 500 and the VIX were down slightly.
- **Supply & Credit Curves:** Last week's issuance totaled \$70B, dominated by financials. Deals were 4.0x over-subscribed and, on average, came with a 0.8-bp concession, although the range of concessions was wider. Supply in 30-year maturities came from Merck and Cigna (to fund their acquisitions), as well as from BHP (to increase the company's net debt target). Notably, deals in both the 10-year and 30-year tranches printed at 10 bps or less, showing strong support for the long end. This week, \$40B in supply is expected, with more 30-year deals announced due to the rally in rates and spreads.
- **Event Risk:** EchoStar, the parent company of DISH Network, is selling a significant portion of its spectrum licenses to Space X for \$17B, Kraft Heinz recently announced that it will be split into two companies, and Dr Pepper is making a \$20B acquisition of JDE Peets (pure-play coffee and tea company) before splitting up into two independent companies. M&A activity, shareholder activism, and corporate breakups are expected to be significant topics over the next 12 to 24 months, leading to more debt supply and potentially higher leverage in the IG market.
- **Data Centers:** Large investments in data centers include \$26B from Meta and a \$38B deal from Oracle. The two main constraints for data centers are the lack of water and lack of power. Similar to private deals on the high yield market, data centers deals could have a similar effect of absorbing supply in the IG market, as much of the paper may be placed via the ABF market.

- In Europe, spreads widened slightly amid slowing demand and heavy issuance—which topped €16B (skewed towards corporates), at the start of the week. This widening reversed midweek as supply started to ease and U.S. labor market data showed signs of softening. EUR IG spreads closed the week 1 bp wider at an OAS+85, with the long end marginally outperforming due to demand from yield buyers.
- Although French politics weighed on market sentiment, French banks performed strongly last week on headlines that Macron planned to appoint a new prime minister if Bayrou loses the 8 September confidence vote. The OAT-Bund 10-year spread closed the week at 77 bps, 5 bps off its local wides, with French Bank paper outperforming (5 bps tighter).
- Looking ahead, investor sensitivity is likely to remain elevated with high levels of attrition, given the weaker macro backdrop, current spread valuations, the lack of new issue concessions, etc. In addition, supply is expected to moderate with dealers calling for between €10B-€15B.

## LEVERAGED FINANCE

- As U.S. HY bond spreads remain near historical tight, investors were met with robust post-Labor Day issuance. Easing yields and the perceived near-certainty of a September Fed cut drew borrowers into the market. Last week's \$9.55B of issuance across 15 transactions was the heaviest weekly volume in three months, and brings YTD volume to \$218.3B, ahead of the \$206.6B that priced during the same period last year.
- All credit tiers and industries saw positive returns, with BBs outperforming, and lower quality (CCCs) slightly outperforming Bs. By industry, super retail, air transportation, and consumer products performed the best. Meanwhile, HY retail flows were negative, with \$250M and \$572M flowing out of actively managed HY mutual funds and ETFs, respectively.
- U.S. bank loans continued their slow grind tighter, with prices edging higher to bring the percentage of loans trading at or above par to 45%. Technicals remained supportive, driven by steady demand from CLOs. Around \$20B of primary issuance launched, with approximately \$7B pricing—nearly all of which for repricing. Weekly flows saw \$119M flow in to actively managed mutual funds, while \$188 million flowed out of loan ETFs.
- European HY bonds widened as much as 30 bps last week on political uncertainty in France, with volatility more pronounced in issues with specific credit stories or weak fundamentals. Primary market activity resumed, with €3.8B across seven mostly BB-rated refinancing deals. European loans held firm with less volatility than HY bonds, as CLOs ramp up. Technicals in both markets remain intact for performing names, but dispersion persists in the lower tiers, reflecting increased uncertainty around rates and growth.

## EMERGING MARKETS

- EM hard currency spreads drifted slightly wider since mid-August tight, but are still characterized by compression. Post Labor Day, EM saw almost \$30B in new issues, which consisted of supply from Pemex, Colombia, Brazil, Saudi Arabia, Petrobras, and other EM corporates. Notably, the Pemex announcement was for a \$10B tender of front-end bonds (2026-2029) contingent on Mexico funding the transaction. Pemex/Mexican relative spreads have now compressed between 400-250 bps across the curve with Pemex now trading about +150-180 bps wide to Mexico. Recent underperformers include Argentina (related to mid-term election concerns) and Ukraine (related to recent Russian strikes). We remain cautious given the tight spread levels but expect EM hard currency to remain resilient given the currently high yields.
- EMFX saw modest gains last week, ending with lower U.S. rates supporting most EM currencies versus the USD. The best performing currencies were the COP, HUF, PLN, and THB. Colombia inflation came in line with expectations (with headline at 5.1% from 4.9%), which will likely keep BanRep cautious and is supportive of the FX. The Argentine Peso and Mexican Peso lagged.
- In EM local rates, the index yield was modestly lower, with Peru, Mexico, and India the biggest outperformers. Colombia, Romania, and Czech underperformed. After the weak U.S. payrolls report, expectations for further cuts in 2025 have risen, which bodes well for the many EM local markets with a high correlation to U.S. yields. With stable-to-appreciating currencies, we expect the central banks in Mexico, Indonesia, and Philippines to extend their easing cycle in tandem with the Fed. In South Africa, the central bank is likely to maintain a cautious stance and, as a result, the risk premium in bonds is expected to come down further.
- EM corporate spreads widened slightly last week although total returns remained positive. The pulp & paper sector was a touch wider as accounts made room for new issue from Suzano and CMPC. Argentina and Ukraine were slightly weaker on macro uncertainty. Banco do Brasil underperformed on sanction concerns.

## SECURITIZED PRODUCTS

- AAA spreads across CMBS conduit and CRE CLOs were little changed, while subordinate conduit tranches were directionally tighter. Floating-rate SASB AAA and subordinate tranches were marginally wider, while fixed rates continued to trade well with benchmark office names in the +100 context to Treasuries. Two primary market deals priced—one agency and one conduit.
- In RMBS, the non-QM rally paused last week under the weight of heavy new issuance. Following the rally, CES spreads are now in-line with non-QMs. CRT spreads were subdued in light volumes during the shortened week. In the primary market, six deals totaling \$2.6B priced, three of which were non-QM totaling \$1.5B.
- Following a very busy August, U.S. CLO primary activity was lighter during the holiday-shortened week, with approximately \$5.4 billion across 12 deals printing one new issue, nine resets and two refinancings. We expect issuance to resume in line with 2025's average. Secondary trading was consistent with 2025 weekly averages, but spreads were flat overall. European CLO issuance was €800 million across two resets only, while secondary trading was active with spreads edging wider.
- ABS spreads edged tighter last week, while the ABS vs. corporates spread was unchanged at 39 bps (ICE BofA index +80 vs. 1-5 IG corps +51. Senior credit cards, prime auto, and unsecured consumer were trading at T+37, T+40-50, and T+90 bps, respectively. The primary market is set to pick up in the U.S. and Europe this week.

## MUNICIPALS

- Last week, Muni rates followed Treasuries lower as U.S. non-farm payroll data showed signs of softening. M/T yield ratios on the 5-year, 10-year and 30-year ended the week at 64%, 76%, and 93% (respectively). Primary offerings in tax-exempts remained heavy, with supply totaling \$8B in the holiday-shortened week. This brought the YTD total to \$348B (up 17% vs. the same period in 2024). More than half the supply came from two deals (PITs and MA Builders). Upcoming supply estimates include \$3B in AMT paper from Dallas Fort-Worth (DFW) and Atlanta airports.
- The forward calendar will continue to feel robust, although our expectation is the final quarter of 2025 should be quieter than the first three because of some of the pull forward supply related to the OBBBA and as issuers wait for the Fed to lower rates.
- On the demand side, \$19B in reinvestment capital is expected in the first half of September, followed by \$7B in the second half of the month.

# THE RETURNS TABLE As of September 5, 2025

Sovereign Rates	Duration	YTM	OAS	Yield/ OAS Change (BPS)				Total Return (%)			
				WTD	QTD	YTD	Prior Year	WTD	QTD	YTD	Prior Year
U.S. 2-Year	1.89	3.51	---	-11	-21	-73	-24	0.24	0.96	3.66	3.88
U.S. 5-Year	4.51	3.58	---	-11	-22	-80	5	0.50	1.54	6.25	3.57
U.S. 10-Year	8.04	4.08	---	-15	-15	-50	35	1.15	2.01	7.14	1.33
U.S. 10-Year Breakeven	--	2.37	---	-4	9	4	33	---	---	---	---
U.S. 10-Year TIPS	4.47	1.70	---	-12	-23	-53	2	0.96	2.99	8.96	5.00
U.S. 20-Year	12.74	4.70	---	-17	-7	-16	60	2.01	1.78	4.59	-4.31
U.S. 30-Year	15.89	4.76	---	-17	-2	-2	74	2.48	1.06	3.24	-7.98
U.S. SOFR	---	---	---	8	-3	-7	-93	0.08	0.81	3.03	4.64
UK 10-Year	7.64	4.64	---	-8	16	8	73	0.67	-0.34	2.17	2.17
Germany 10-Year	8.61	2.66	---	-6	6	30	46	0.58	0.47	0.47	0.47
Switzerland 10-Year	9.65	0.24	---	-3	-17	-3	-18	0.17	1.53	0.86	2.30
Japan 10-Year	8.45	1.57	---	-2	15	49	70	0.22	-0.99	-0.99	-0.99
Australia 10-Year	8.31	4.34	---	6	18	-2	41	-0.46	-0.73	3.48	0.98
Canada 10-Year	8.21	3.27	---	-11	0	4	30	0.94	0.64	4.47	4.47
MAJOR FI MS INDICES											
Global Aggregate Unhedged	6.50	3.43	30	0	-2	-4	-9	0.57	0.52	7.83	3.22
Global Aggregate Hedged	6.50	3.43	30	0	-2	-4	-9	0.55	1.02	3.86	3.29
U.S. Aggregate	6.08	4.31	29	-1	-3	-4	-9	0.93	1.86	5.96	2.91
Euro-Aggregate (Unhedged)	6.34	2.83	50	0	-1	-11	-17	0.31	0.11	0.95	1.85
Japanese Aggregate	8.51	1.55	0	0	0	0	0	0.06	-1.36	-3.91	-5.08
MAJOR FI CREDIT INDICES											
Mortgage-Backed (Agency)	5.67	4.70	32	-2	-5	-11	-9	0.97	2.18	6.50	3.23
Global IG Corporate Bonds	6.02	4.29	82	-1	-6	-6	-23	0.86	1.61	9.13	5.73
U.S. IG Corporate Bonds	7.00	4.78	77	-2	-6	-3	-19	1.17	2.26	6.53	3.90
European IG Corporate	4.56	3.04	85	1	-7	-17	-33	0.23	0.78	2.60	4.44
U.S. High Yield Bonds	3.11	6.66	272	0	-17	-14	-42	0.32	2.03	6.69	8.35
European High Yield Bonds	2.96	5.35	302	6	-19	-15	-71	-0.07	1.34	3.67	6.88
U.S. Leveraged Loans	0.3	7.79	447	-10	-12	-28	-50	0.16	1.36	4.36	7.38
European Leveraged Loans	0.3	7.07	467	-3	4	-5	-8	0.10	0.57	2.96	5.62
EM Hard Currency Sovs.	6.54	7.17	298	0	-24	-27	-89	0.91	3.85	9.06	9.28
EM Corporates	4.41	6.39	251	4	-15	10	-30	0.44	2.65	6.80	6.98
EM Currencies	---	6.08	---	0	1	-2	-1	0.27	0.23	10.69	7.64
EM Local Rates	5.35	5.89	6	0	0	-1	0	0.22	1.56	6.05	6.20
CMBS	3.89	4.42	78	0	-6	-2	-21	0.47	1.83	6.40	5.31
ABS	2.68	4.11	50	-1	-7	6	-16	0.39	1.48	4.46	4.85
CLOs	3.89	4.60	133	0	-3	-7	-15	0.11	1.05	3.78	5.93
Municipal Bonds	6.58	3.78	---	-11	-17	4	39	0.89	1.56	1.21	0.62

Equity/Volatility	Level	Total Return (%)				Prior Yr	FX/Commodities	Spot	% Change			
		WTD	QTD	YTD					WTD	QTD	YTD	Prior Year
S&P 500 Index	6,482	0.4	4.7	11.2	19.4		EUR/USD	1.2	0.3	-0.6	13.2	5.5
DAX	23,597	-1.3	-1.3	18.5	27.0		USD/JPY	147.4	0.3	2.4	-6.2	2.8
Stoxx 600	549	-0.2	1.8	11.4	11.0		GBP/USD	1.4	0.0	-1.6	7.9	2.5
Nikkei 225	43,019	0.7	6.3	9.1	19.6		EUR/CHF	0.9	0.0	0.1	-0.5	-0.3
Shanghai Composite	3,813	-1.1	11.7	16.2	40.3		USD/CHF	0.8	-0.3	0.6	-12.1	-5.5
MSCI ACWI Index	956	0.5	4.4	15.2	19.9		USD (DXY)	97.8	0.0	0.9	-9.9	-3.3
FTSE 100	9,208	0.2	5.8	15.8	15.7		Oil	61.9	-3.3	-5.0	-13.7	-10.5
MOVE Index	85	7.4	-5.5	-13.7	-25.7		Gold	3586.7	4.0	8.6	36.7	42.5
VIX Index	15	-1.2	-9.3	-12.5	-23.7							

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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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**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.