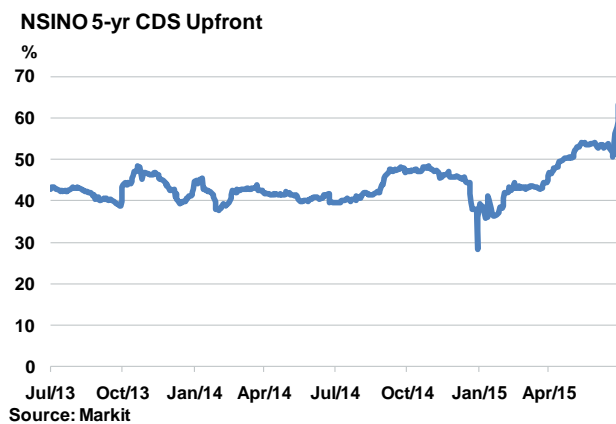


Index tranching

An interesting trend which has re-emerged lately has been using leveraged credit index tranches to short only the [riskiest set of credit entities in an index](#). The goal is to benefit from the downfall of companies that are struggling to meet costs amid a global market full of uncertainties.



One such targeted name has been Norwegian paper manufacturer Norske Skogindustrier. Its 5-yr CDS upfront has rocketed 10% wider so far this month and spreads now imply an almost certain default [Markit's Research Signals](#) propriety credit risk model¹ issued an alert on the name yesterday, expecting further deterioration

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¹ The Leading Risk Indicator enhances Markit's Research Signals credit factors and is used to evaluate the expected performance of credit default swaps based on fundamental, technical and macroeconomic-based indicators.

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