

Markit fixed income research

Issue 1, October 2013
Data as of September 30th 2013

Central banks surprise markets into motion over September

Markit iBoxx € fixed income monthly market monitor

Activity calendar

Flurry of activity across both sides of the Atlantic

- In the US, Lawrence Summers withdrew from the race to be the next Federal Reserve chairman, prompting investors to think that the FED will be slower to reduce debt purchases.
- The FED surprised the markets by deciding not to taper its current QE program. Both events were positive for EUR Sovereigns as inevitably some portion of QE is used to buy European bonds.
- In Europe, during ECB September meeting Draghi attempted his own version of forward rate guidance, albeit a much milder one than the ones by FED and BOE chairmen.
- ECB chairman later announced that ECB stands ready to pour liquidity into the banking system if needed. The statement likely refers to the possibility of a new round of the long-term refinancing operation (LTRO). This news is especially positive for Financials, hence the outperformance.
- In Germany, Merkel celebrated election victory, as expected, while in Italy political situation remains fragile. Future developments in Italian government and the results of ECB's balance sheet assessment of the Eurozone's largest banks will be the events to watch.

Market movements

Downward shift of the yield curve for mid-term maturities adds biggest gains

- The iBoxx € Overall index returned 0.73% for September, bringing its YTD return to 1.15%. The biggest contribution to the positive return in the Sovereigns and Corporates component of the index came from coupon and yield curve movements. The downward shift in 6-10Y segment

of the yield curve contributed most to positive duration return (28 out of 51bps for Corporates).

- In September the € yield curve shifted down. The shift was more pronounced in the mid-term maturities, with 5 yr rate going down 16 bps. The 1 year rate was the only one to increase slightly by 3.5 bps.
- Within Sovereigns, biggest movers were Spain and Ireland, returning 154 and 168 bps respectively.
- In Corporate space, the rise was led by Financials and BBB, returning 73 and 76 bps. Financials outperformed Non-Financials mostly due to difference in credit return. Non-Financials lost 20 bps due spread movement, while Financials lost just 1 bps. Similarly Corporates BBB outperformed the higher rating spectrum due to smaller losses from spread movement.

ETF Market

Interest rated hedged products continue to evolve in Europe

- Seven new fixed income ETFs were launched and cross-listed over September. In Europe, iShares rolled out two interest rate hedged products while State Street launched a 0-5 Year U.S. High Yield Bond ETF. In the US, Guggenheim launched two high yield BulletShares Target maturity Corporate Bond ETFs while iShares launched an active short maturity bond ETF.
- Sovereign benchmarked ETFs attracted total inflows of \$4.8 billion while high yield saw inflows of \$2.1 billion over September. Inflation linked and preferred stock saw the largest outflows with \$642 million and \$565 million respectively. The trends were fairly consistent between Europe and the US suggesting that the underlying market drivers relate to actions by Central Banks on both sides of the Atlantic. Money market-like products saw moderate flows of \$190 in each region.
- The largest inflow of the month was received by the iShares 3-7 Year Treasury Bond ETF, totalling \$2.8 billion.

Contents

Facts and figures.....	3
Key trends: iBoxx € Corporates and € Germany	5
iBoxx € rebalance movements.....	6
iBoxx € rebalancing activity – Sep 13	7
Potential exclusions for next month rebalance (Oct 13)	9
Analysis and trends.....	11
Fixed income return attribution	11
Fixed income ETF market activity.....	16

Facts and figures

Figure 1: Global fixed income market YTD total returns

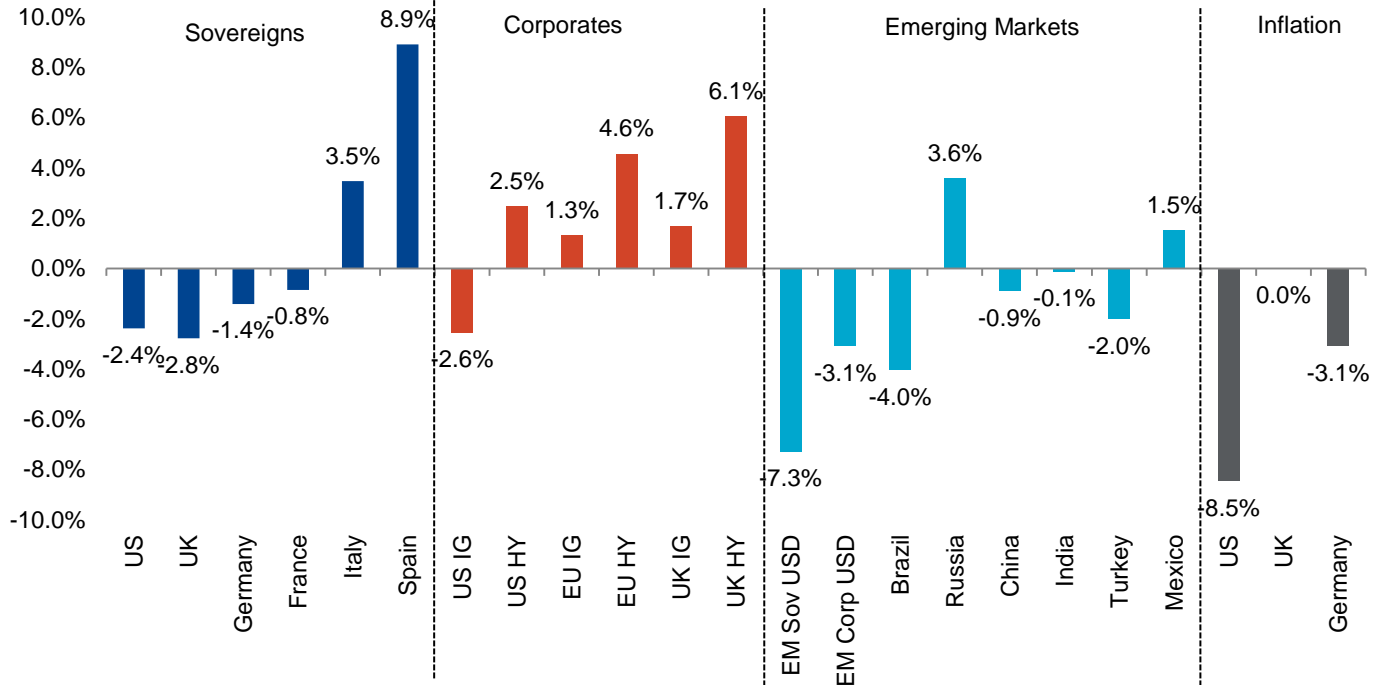
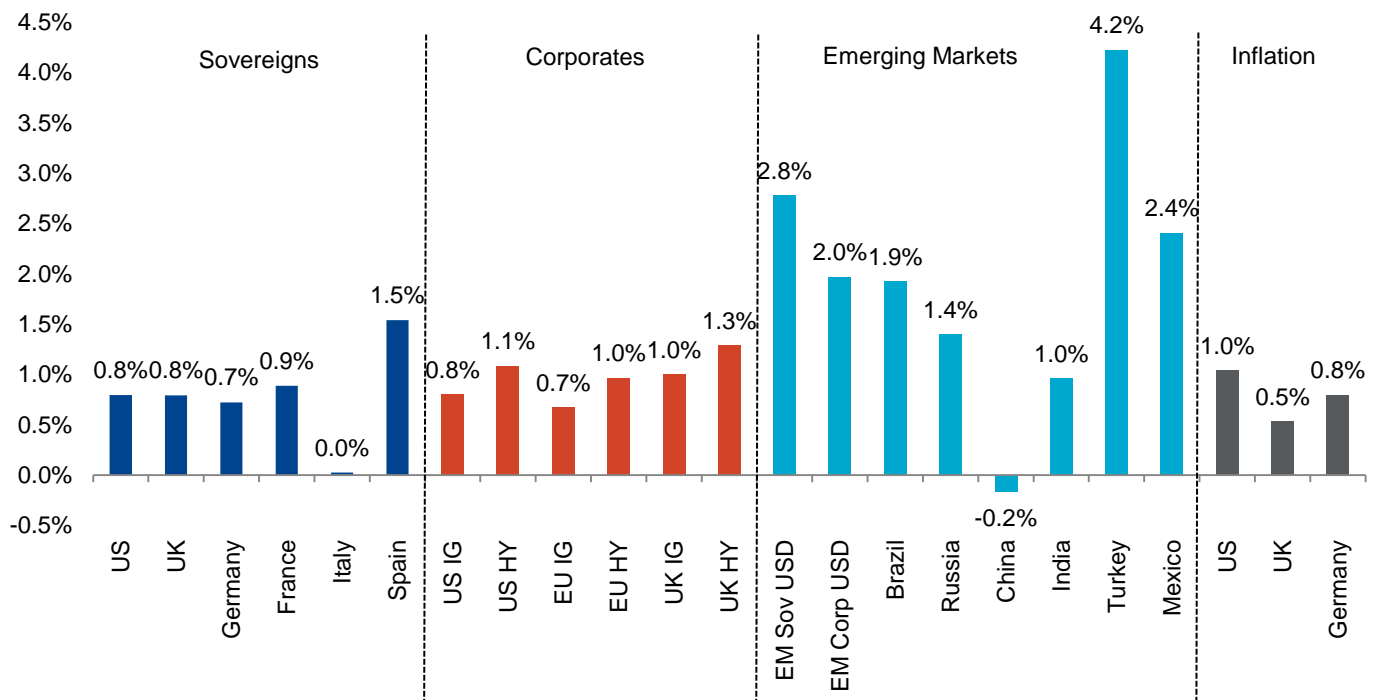


Figure 2: Global fixed income market MTD total returns



Source: Markit iBoxx Data

Table 1: iBoxx € market snapshot: the month in figures

Index	Total Return		Yield			OAS			Bonds	Duration
	Month	YTD	Current	Month	YTD	Current	Month	YTD		
iBoxx € Overall	0.73%	1.15%	2.57%	-0.09%	0.19%	108.9	0.3	-15.9	2660	5.6
Sovereigns										
iBoxx € Eurozone	0.74%	1.07%	2.74%	-0.08%	0.20%	108.7	0.4	-15.2	276	6.3
iBoxx € Germany	0.72%	-1.41%	1.73%	-0.09%	0.36%	-0.3	-0.5	0.2	51	6.6
iBoxx € France	0.89%	-0.85%	2.28%	-0.10%	0.33%	59.9	-2.6	-4.5	42	6.6
iBoxx € Italy	0.02%	3.48%	4.22%	0.06%	-0.02%	259.5	14.1	-44.8	57	6.1
iBoxx € Netherlands	0.78%	-2.01%	1.99%	-0.09%	0.50%	29.3	-0.7	14.2	21	6.7
iBoxx € Spain	1.54%	8.92%	3.87%	-0.23%	-0.99%	242.6	-14.1	-141.3	32	5.3
iBoxx € Austria	0.82%	-0.90%	2.05%	-0.09%	0.36%	35.4	-0.7	-4.0	19	7.0
iBoxx € Belgium	1.03%	-1.51%	2.50%	-0.11%	0.47%	79.2	-4.4	8.3	23	6.7
iBoxx € Ireland	1.68%	7.53%	3.49%	-0.26%	-0.81%	232.9	-14.5	-117.2	10	5.3
Corporates										
iBoxx € Corporates	0.67%	1.33%	2.52%	-0.10%	0.21%	146.6	1.7	-15.3	1,346	4.5
iBoxx € Corporates A	0.61%	0.81%	2.26%	-0.09%	0.28%	116.2	2.1	-11.2	608	4.6
iBoxx € Corporates AA	0.58%	0.28%	1.93%	-0.09%	0.32%	89.3	2.8	-0.2	133	4.5
iBoxx € Corporates AAA	0.49%	-0.04%	2.19%	-0.05%	0.73%	66.5	6.6	-5.9	4	6.6
iBoxx € Corporates BBB	0.77%	2.36%	3.04%	-0.12%	0.01%	205.5	0.5	-34.5	601	4.3
iBoxx € Banks	0.72%	1.57%	2.43%	-0.12%	0.08%	153.1	-0.9	-23.2	383	4.0
iBoxx € Basic Materials	0.70%	0.26%	2.31%	-0.11%	0.43%	121.4	1.2	0.8	63	4.6
iBoxx € Consumer Goods	0.41%	0.69%	1.94%	-0.06%	0.34%	87.9	6.0	-13.7	145	4.2
iBoxx € Consumer Services	0.55%	0.89%	2.40%	-0.06%	0.32%	127.8	3.5	-3.9	60	4.7
iBoxx € Financials	0.75%	1.76%	2.58%	-0.13%	0.08%	163.7	-1.3	-24.6	524	4.1
iBoxx € Health Care	0.34%	0.15%	1.60%	-0.06%	0.24%	78.6	6.9	2.5	27	3.6
iBoxx € Industrial Goods & Services	0.75%	1.94%	2.35%	-0.12%	0.04%	135.0	1.1	-35.5	105	4.6
iBoxx € Industrials	0.76%	1.86%	2.35%	-0.12%	0.05%	135.7	0.9	-33.0	129	4.6
iBoxx € Insurance	1.08%	3.48%	3.84%	-0.16%	-0.02%	266.9	-3.5	-40.9	61	4.7
iBoxx € Non-Financials	0.61%	0.99%	2.48%	-0.08%	0.30%	134.8	3.4	-8.4	822	4.7
iBoxx € Oil & Gas	0.65%	0.49%	2.47%	-0.10%	0.46%	149.9	3.9	20.8	60	4.4
iBoxx € Overall	0.73%	1.15%	2.57%	-0.09%	0.19%	108.9	0.3	-15.9	2,660	5.6
iBoxx € Retail	0.50%	0.77%	2.44%	-0.05%	0.25%	124.0	4.2	-9.8	36	4.9
iBoxx € Sovereigns	0.74%	1.07%	2.74%	-0.08%	0.20%	108.7	0.4	-15.2	276	6.3
iBoxx € Technology	0.58%	1.46%	2.33%	-0.07%	0.63%	88.4	6.0	-30.5	8	6.1
iBoxx € Telecommunications	0.53%	0.35%	2.94%	-0.05%	0.44%	166.1	5.9	1.7	120	5.1
iBoxx € Utilities	0.72%	1.62%	2.73%	-0.09%	0.26%	149.6	2.4	-7.8	210	5.2
iBoxx € Covered	0.78%	2.36%	2.11%	-0.14%	-0.14%	112.5	-2.5	-44.2	605	4.1
High Yield										
iBoxx EUR High Yield	0.96%	4.57%	5.35%	-0.18%	-0.54%	452.9	1.0	-71.3	441	3.0
iBoxx EUR High Yield B	1.46%	6.04%	7.17%	-0.26%	-0.66%	598.8	-5.7	-84.9	138	2.7
iBoxx EUR High Yield BB	0.76%	4.01%	4.55%	-0.12%	-0.17%	379.8	4.6	-49.2	278	3.1
iBoxx EUR High Yield CCC	2.35%	6.47%	10.17%	-1.74%	-5.02%	895.8	-76.4	-420.7	20	2.7

Source: Markit iBoxx Data

Key trends: iBoxx € Corporates and € Germany

Figure 3: Total return

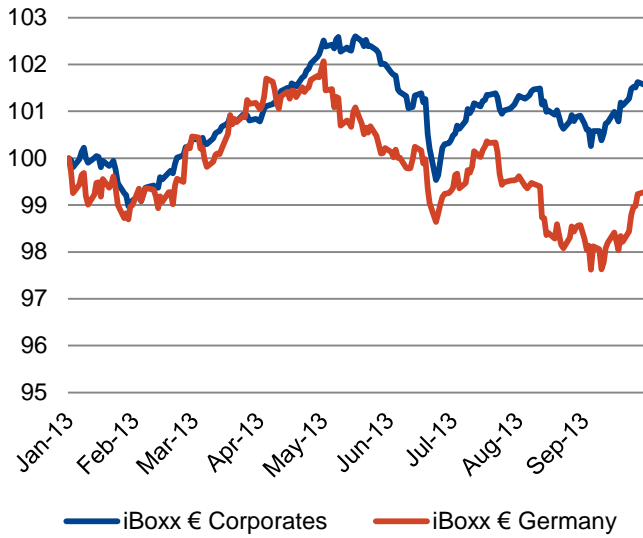


Figure 4: Yield

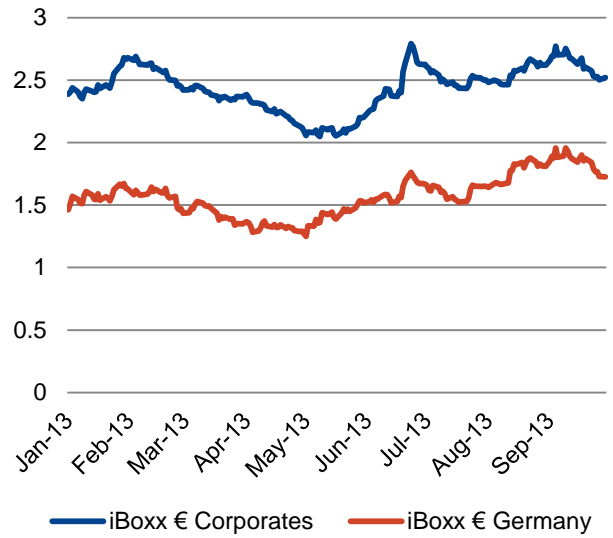


Figure 5: Duration

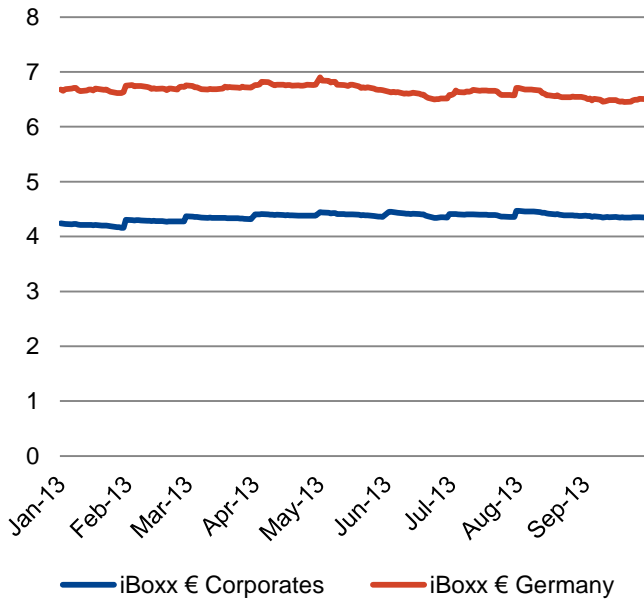
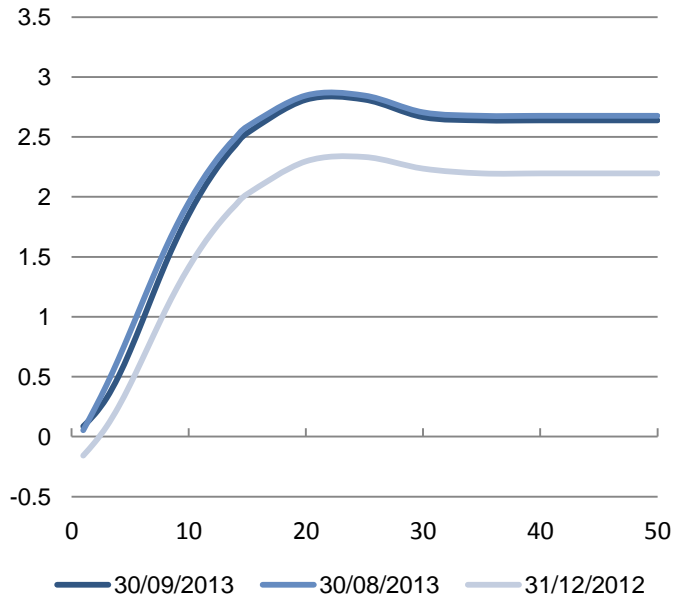


Figure 6: € yield curve



Source: Markit iBoxx Data

iBoxx € rebalance movements

Table 2: Index rebalance stats

Sub-Index	After rebalance					Changes due to rebalance				
	Bonds	Weight	Yield	Duration	OAS	Bonds	Weight	Yield	Duration	OAS
Corporates	1,373	100%	2.55	4.55	149.40	+27	0.00%	0.03	0.09	2.79
Non-Financials	841	55.96%	2.51	4.83	137.35	+19	0.18%	0.03	0.11	2.57
Financials	532	44.04%	2.60	4.19	167.03	+8	-0.18%	0.03	0.07	3.33
AAA	4	0.24%	2.19	6.58	66.44	0	0.00%	0.00	0.00	-0.07
AA	136	13.54%	1.94	4.52	89.04	+3	0.00%	0.01	0.06	-0.22
A	613	45.59%	2.28	4.70	117.21	+5	-0.53%	0.02	0.11	1.00
BBB	620	40.63%	3.09	4.37	209.86	+19	0.53%	0.04	0.09	4.32
1-3y	369	27.61%	1.36	1.91	119.14	-3	-0.64%	0.04	0.08	4.54
3-5y	396	29.66%	2.04	3.63	152.73	+5	-0.37%	0.04	0.06	3.81
5-7y	273	19.19%	2.46	5.44	152.07	+23	1.27%	0.03	0.08	1.15
7-10y	248	17.86%	3.04	7.23	159.86	0	-0.23%	0.04	0.07	2.70
10-15y	65	4.19%	3.34	9.69	133.15	+2	-0.01%	0.04	0.03	3.83
15+	22	1.49%	4.12	13.40	162.90	0	-0.01%	0.00	0.00	1.05

Source: Markit iBoxx Data

iBoxx € rebalancing activity – Sep 13

Table 3: iBoxx € Corporates - Out

ISIN	Issuer	Sector	Rating	Maturity	Weight	Reason
XS0200676160	UNICREDIT SPA	Banks	BBB	22/09/2014	0.04%	<1Y
XS0200985207	UBS AG JERSEY	Banks	BBB	16/09/2014	0.07%	<1Y
XS0201168894	ZURICH FINANCE	Insurance	A	17/09/2014	0.08%	<1Y
XS0201947826	CARGILL INC	Food & Beverage	A	29/09/2014	0.04%	<1Y
XS0247308595	BAT HOLDINGS BV	Personal & Household Goods	A	15/09/2014	0.05%	<1Y
FR0010943316	GECINA	Financial Services	BBB	19/09/2014	0.04%	<1Y
XS0420117383	BAYER CAP CORPNV	Health Care	A	26/09/2014	0.10%	<1Y
XS0604400001	LLOYDS BANK PLC	Banks	A	15/09/2014	0.06%	<1Y
XS0821078861	SANTANDER INTL	Banks	BBB	04/09/2014	0.15%	<1Y
XS0830346374	FGA CAPITAL IRE	Automobiles & Parts	BBB	18/09/2014	0.06%	<1Y
XS0951560969	DEXIA CRED LOCAL	Banks	AA	11/07/2016	0.11%	Reclassified
DE000A1A55G9	DAIMLER AG	Automobiles & Parts	A	02/09/2014	0.16%	<1Y
XS0451689565	BMW FINANCE NV	Automobiles & Parts	A	17/09/2014	0.14%	<1Y
FR0010801761	ALSTOM	Industrial Goods & Services	BBB	23/09/2014	0.06%	<1Y
XS0452167991	AMER HONDA FIN	Automobiles & Parts	A	16/09/2014	0.06%	<1Y
XS0452462723	KBC IFIMA NV	Banks	A	17/09/2014	0.11%	<1Y
DE000A1A6FV5	K+S AG	Chemicals	BBB	24/09/2014	0.06%	<1Y
XS0304756405	ASML HOLDING NV	Technology	BBB	13/06/2017	0.05%	<500M
DE000A0TKBM0	BASF FIN EUROPNV	Chemicals	A	26/09/2014	0.10%	<1Y
XS0323119973	BANK OF AMER CRP	Banks	A	26/09/2014	0.09%	<1Y
DE000A0T1GC4	DEUTSCHE TEL FIN	Telecommunications	BBB	10/09/2014	0.06%	<1Y
XS0387846925	IMP TOBACCO FIN	Personal & Household Goods	BBB	15/09/2014	0.06%	<1Y

Table 4: iBoxx € Corporates - In

ISIN	Name	Sector	Rating	Maturity	Weight	Reason
XS0165449736	HBOS PLC	Banks	BBB	20/03/2015	0.08%	Upgraded to BBB
XS0214965534	HBOS PLC	Banks	BBB	18/03/2025	0.05%	Upgraded to BBB
XS0203871651	HBOS PLC	Banks	BBB	30/10/2014	0.06%	Upgraded to BBB
XS0563106730	AP MOLLER	Industrial Goods & Services	BBB	24/11/2017	0.04%	Upgraded to BBB
XS0821175717	AP MOLLER	Industrial Goods & Services	BBB	28/08/2019	0.06%	Upgraded to BBB
XS0965489239	SPAREBANK1 SR	Banks	A	27/02/2019	0.04%	New Issue
FR0011560069	ORANGE	Telecommunications	BBB	03/09/2018	0.06%	New Issue
XS0968316256	BMW FINANCE NV	Automobiles & Parts	A	04/09/2020	0.06%	New Issue
XS0968433135	WELLS FARGO CO	Banks	A	03/09/2020	0.07%	New Issue
FR0011561000	SCHNEIDER ELEC	Industrial Goods & Services	A	06/09/2021	0.05%	New Issue
XS0968885623	SBAB BANK	Financial Services	A	04/09/2020	0.06%	New Issue
XS0969344083	CONTINENTAL AG	Automobiles & Parts	BBB	09/09/2020	0.06%	New Issue
XS0969570687	FCE BANK PLC	Automobiles & Parts	BBB	09/09/2016	0.04%	New Issue
XS0969350999	MADRILENA RED FI	Utilities	BBB	11/09/2018	0.04%	New Issue

Source: Markit iBoxx Data

XS0972530561	ASML HOLDING NV	Technology	BBB	19/09/2023	0.06%	New Issue
BE6258119674	BELFIUS BANK SA	Banks	BBB	26/09/2018	0.04%	New Issue
XS0974122516	AUSTRALIA PACIFI	Industrial Goods & Services	A	26/09/2023	0.04%	New Issue
DE000A1X26E7	DT PFANDBRIEFBAN	Banks	BBB	11/09/2017	0.04%	New Issue
FR0011565555	RTE EDF TRANSPOR	Utilities	A	12/09/2023	0.04%	New Issue
XS0462887349	AP MOLLER	Industrial Goods & Services	BBB	30/10/2014	0.06%	Upgraded to BBB
XS0972165681	BP CAPITAL PLC	Oil & Gas	A	17/02/2021	0.05%	New Issue
XS0972089568	SKANDINAV ENSKIL	Banks	A	18/03/2019	0.06%	New Issue
XS0972491723	MACQUARIE BK LTD	Financial Services	A	18/09/2018	0.04%	New Issue
XS0974877150	GLENCORE FINANCE	Basic Resources	BBB	30/09/2020	0.06%	New Issue
XS0966078221	POHJOLA BANK PLC	Banks	AA	29/08/2018	0.06%	New Issue
FR0011560333	SANOFI	Health Care	AA	04/09/2020	0.07%	New Issue
FR0011560986	AREVA SA	Industrial Goods & Services	BBB	04/09/2020	0.04%	New Issue
XS0969574325	STATOIL ASA	Oil & Gas	AA	10/09/2020	0.06%	New Issue
XS0969572204	STATOIL ASA	Oil & Gas	AA	10/09/2025	0.05%	New Issue
XS0970840095	ACEA SPA	Utilities	BBB	12/09/2018	0.05%	New Issue
XS0974375130	TELECOM ITALIA	Telecommunications	BBB	25/09/2020	0.07%	New Issue
XS0943371194	DONG A/S	Utilities	BBB	08/07/2018	0.04%	Upgraded to BBB
XS0953199634	CONTINENTAL AG	Automobiles & Parts	BBB	16/07/2018	0.06%	New Issue
FR0011560077	ORANGE	Telecommunications	BBB	09/01/2024	0.05%	New Issue
XS0967299016	AMER HONDA FIN	Automobiles & Parts	A	04/09/2019	0.06%	New Issue
XS0968913342	VOLKSWAGEN INTFN	Automobiles & Parts	BBB	04/09/2023	0.06%	New Issue
XS0968913268	VOLKSWAGEN INTFN	Automobiles & Parts	BBB	04/09/2018	0.09%	New Issue
XS0969365591	KBC IFIMA NV	Banks	A	10/09/2018	0.06%	New Issue
XS0969478105	SNAM	Utilities	BBB	13/02/2020	0.04%	New Issue
XS0969340768	AMERICA MOVIL SA	Telecommunications	BBB	06/09/2018	0.07%	New Issue
XS0969341147	AMERICA MOVIL SA	Telecommunications	BBB	06/09/2023	0.04%	New Issue
XS0969636371	HSBC HOLDINGS	Banks	A	10/01/2019	0.11%	New Issue
XS0969523843	WESTFIELD TRUST	Financial Services	A	11/09/2023	0.04%	New Issue
XS0970852348	ENI SPA	Oil & Gas	A	12/09/2025	0.07%	New Issue
XS0971213201	INTESA SANPAOLO	Banks	BBB	13/09/2023	0.11%	New Issue
BE6258027729	ANHEUSER-BUSCH	Food & Beverage	A	24/09/2020	0.06%	New Issue
XS0973623514	UNICREDIT SPA	Banks	BBB	24/01/2019	0.09%	New Issue
XS0974373515	DNB BANK ASA	Banks	A	26/09/2018	0.06%	New Issue
XS0495012428	ACEA SPA	Utilities	BBB	16/03/2020	0.04%	New Issue

Source: Markit iBoxx Data

Potential exclusions for next month rebalance (Oct 13)

Table 5: Exclusions based on maturity rule

ISIN	Issuer	Sector	Rating	Workout date	Weight
XS0201169439	SANTANDER ISSUAN	Banks	BBB	30/09/2014	0.01%
XS0201169439	SANTANDER ISSUAN	Banks	BBB	30/09/2014	0.01%
IT0004853807	CTZS	Sovereigns	BBB	30/09/2014	0.18%
XS0455122076	ING BANK NV	Collateralized	AAA	30/09/2014	0.03%
XS0383001640	BAA FUNDING LTD	Industrial Goods & Services	A	30/09/2014	0.01%
XS0202045679	RODAMCO EUR FIN	Financial Services	A	01/10/2014	0.01%
XS0455319029	STADSHYPOTEK AB	Collateralized	AAA	01/10/2014	0.02%
XS0323494715	ITW FINANCE EUR	Industrial Goods & Services	A	01/10/2014	0.01%
XS0323955541	SCHERING-PLOUGH	Health Care	AA	01/10/2014	0.02%
XS0836318997	BBVA SENIOR FIN	Banks	BBB	03/10/2014	0.01%
XS0455624170	UBS AG LONDON	Collateralized	AAA	06/10/2014	0.03%
ES0464872060	UNICAJA ES	Collateralized	BBB	06/10/2014	0.01%
AT000B091038	RAIFF LB STEIER	Collateralized	AAA	07/10/2014	0.01%
XS0547937408	BP CAPITAL PLC	Oil & Gas	A	07/10/2014	0.01%
XS0202649934	REPSOL INTL FIN	Oil & Gas	BBB	08/10/2014	0.01%
ES0413211337	BANCO BILBAO VIZ	Collateralized	A	09/10/2014	0.02%
DE0001141554	BUNDESABL-155	Sovereigns	AAA	10/10/2014	0.22%
XS0456451938	SANOFI-AVENTIS	Health Care	AA	10/10/2014	0.02%
FR0010526848	CARREFOUR SA	Retail	BBB	10/10/2014	0.01%
DE000A0DLU51	EWE AG	Utilities	BBB	14/10/2014	0.01%
XS0456708212	EVONIK	Chemicals	BBB	14/10/2014	0.01%
XS0330805069	EUROPEAN INVT BK	Sub-Sovereigns	AAA	15/10/2014	0.07%
XS0325920824	GOLDMAN SACHS GP	Banks	A	16/10/2014	0.02%
XS0694238170	HYPO NOE GRUPPE	Collateralized	AAA	20/10/2014	0.01%
AT0000A0CL73	REP OF AUSTRIA	Sovereigns	AAA	20/10/2014	0.15%
ES0213211099	BANCO BILBAO VIZ	Banks	BBB	20/10/2014	0.01%
XS0550825292	LANDBK HESSEN-TH	Collateralized	AAA	20/10/2014	0.01%
PTCPP7OE0020	BANCO SAN TOTTA	Collateralized	BBB	21/10/2014	0.01%
ES0414400079	BANCO CAM	Collateralized	A	22/10/2014	0.01%
XS0696058857	COVENTRY BDG SOC	Collateralized	AAA	24/10/2014	0.01%
FR0010112052	FRANCE O.A.T.	Sovereigns	AA	25/10/2014	0.28%
FR0010120410	CAISSE AMORT DET	Sub-Sovereigns	AA	25/10/2014	0.06%
FR0010018275	CSSE REFIN L'HAB	France Covered Legal	AAA	25/10/2014	0.06%
BE0119806116	BNP PARIBAS FORT	Banks	BBB	27/10/2014	0.01%
ES0314977358	BANCAJA	Sub-Sovereigns	BBB	27/10/2014	0.02%
XS0203685788	CHINA (PEOPLE'S)	Sub-Sovereigns	AA	28/10/2014	0.01%
XS0203714802	TERNA SPA	Utilities	BBB	28/10/2014	0.01%
XS0553035840	GE CAP EUR FUND	Financial Services	AA	28/10/2014	0.02%
FR0010126904	BOUYGUES	Construction & Materials	BBB	29/10/2014	0.01%
ES0314840184	CAIXA CATALUNYA	Sub-Sovereigns	BBB	29/10/2014	0.02%

Source: Markit iBoxx Data
compiled by markit

XS0461758830	MORGAN STANLEY	Banks	A	29/10/2014	0.02%
ES0414950594	CAJA MADRID	Collateralized	BBB	30/10/2014	0.02%
XS0203871651	HBOS PLC	Banks	BBB	30/10/2014	0.01%
XS0462887349	AP MOLLER	Industrial Goods & Services	BBB	30/10/2014	0.01%
ES00000121P3	SPANISH GOV'T	Sovereigns	BBB	31/10/2014	0.28%
XS0737407543	INSTIT CRDT OFCL	Sub-Sovereigns	BBB	31/10/2014	0.02%
DE000A0PM797	BAYERNLABO	Sub-Sovereigns	AAA	31/10/2014	0.01%
XS0303583412	GAZPROM	Oil & Gas	BBB	31/10/2014	0.01%

Table 6: Potential exclusions based on borderline rating

ISIN	Issuer	Sector	Moody Rating	SP Rating	Fitch Rating	Score
XS0165449736	HBOS PLC	Banks	Ba1	BB+	BBB	10
XS0256975458	GENERALI FINANCE	Insurance	Ba1	BBB-	BBB-	10
XS0167127447	ROYAL BK SCOTLND	Banks	Ba1	BBB-	BBB-	10
XS0203871651	HBOS PLC	Banks	Ba1	BB+	BBB	10
XS0214965534	HBOS PLC	Banks	Ba1	BB+	BBB	10
ES0213211099	BANCO BILBAO VIZ	Banks	Ba1	BB+	BBB	10
XS0943371194	DONG A/S	Utilities	NULL	BB+	BBB-	10
XS0808632763	IBERDROLA INTL	Utilities	Baa3	BB+	BBB-	10
XS0283629946	GENERALI FINANCE	Insurance	Ba1	BBB-	BBB-	10
XS0356705219	ROYAL BK SCOTLND	Banks	Ba1	BBB-	BBB-	10
XS0271858606	ROYAL BK SCOTLND	Banks	Ba1	BBB-	BBB-	10
XS0943370543	DONG A/S	Utilities	NULL	BB+	BBB-	10

Source: Markit iBoxx Data

Analysis and trends

Fixed income return attribution

Table 7: Return attribution (bps)

Total Return = Income Return + Price Return + Residual Return

Price Return = Duration Return + Credit Return + Calendar Return + Option Return

Duration Return = 1-5Y + 6-10Y + 10+Y

Credit Return = Sector Return + Issuer Return

Index	Weight	Total Return	Income Return	Price Return	Curve			Spread			Calendar Return	Option Return	Residual Return	
					Duration Return	1-5Y	6-10Y	10+Y	Credit Return	Sector Return				Issuer Return
EUR Corporates	100.00%	65.83	41.09	27.85	50.97	21.95	27.68	1.34	-11.16	-5.35	-5.81	-11.97	0.00	-3.11
Financials	44.24%	73.86	44.79	30.25	47.74	22.76	24.39	0.58	-0.85	4.86	-5.71	-16.64	0.00	-1.18
Non-Financials	55.76%	59.46	38.15	25.95	53.54	21.31	30.29	1.94	-19.32	-13.43	-5.89	-8.27	0.00	-4.64
Corporates AAA	0.24%	47.62	0.00	52.35	70.93	12.24	50.97	7.72	-41.75	-40.37	-1.38	23.27	-0.09	-4.73
Corporates AA	13.38%	56.57	12.72	42.57	51.46	22.14	27.78	1.53	-16.03	-12.42	-3.60	7.14	0.00	1.29
Corporates A	46.53%	59.63	46.94	18.14	51.78	20.87	29.30	1.61	-15.92	-6.87	-9.06	-17.71	0.00	-5.45
Corporates BBB	39.85%	76.19	44.16	33.92	49.76	23.20	25.64	0.93	-3.83	-1.00	-2.84	-12.01	0.00	-1.89

Source: Markit iBoxx Data

Figure 7: Return attribution (bps) – € Corporates and Financials

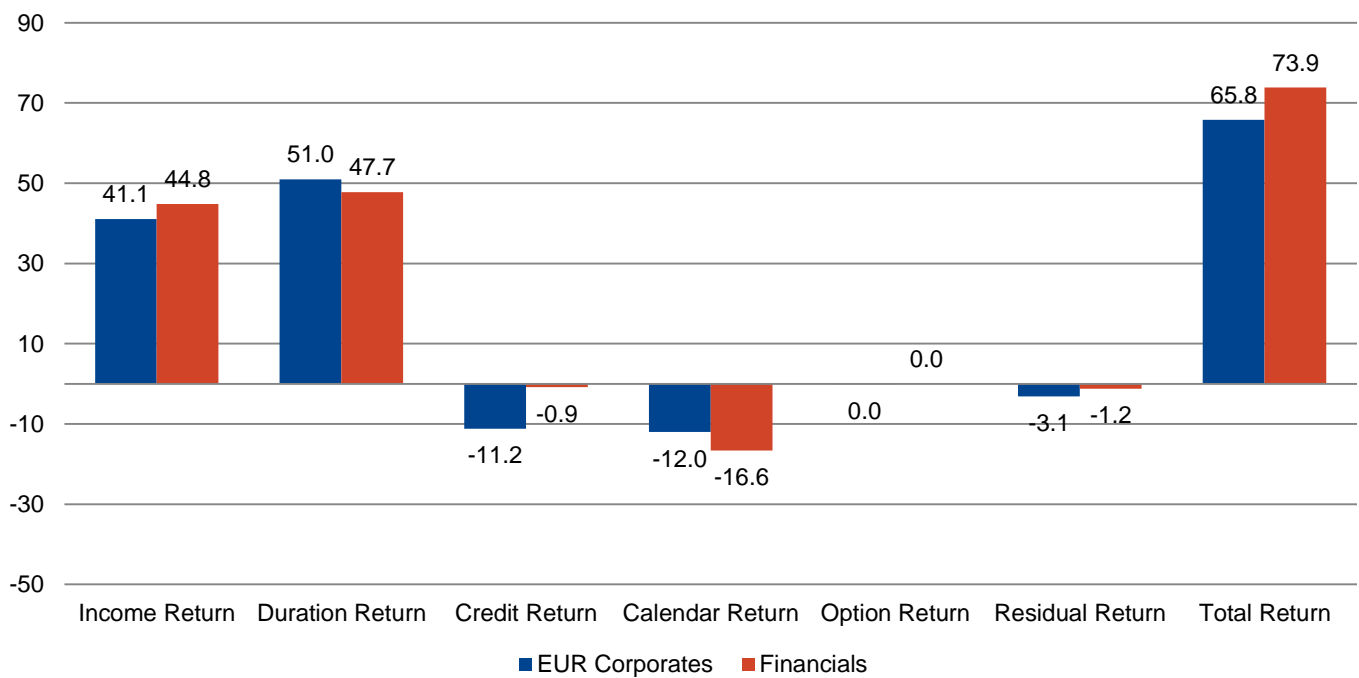
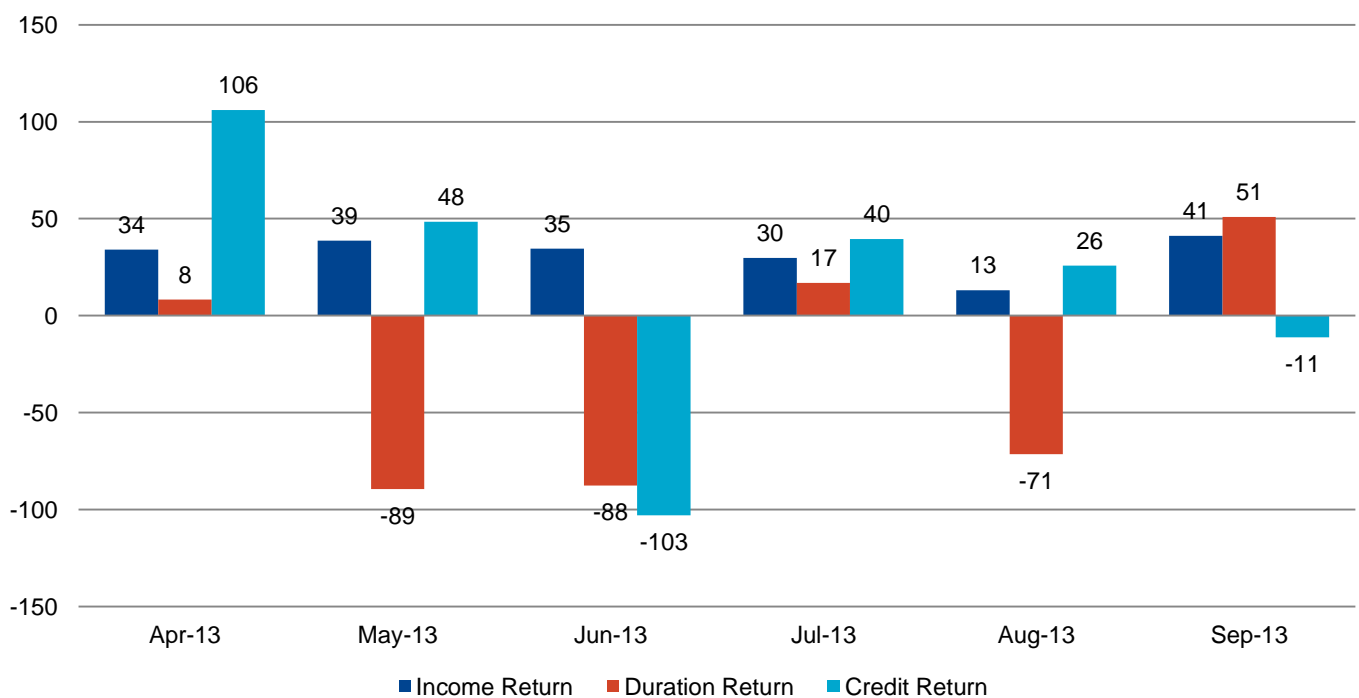


Figure 8: Return attribution (bps) - € Corporates monthly



Source: Markit iBoxx Data

Key rate duration and attribution – € Corporates

Figure 9: Key rate duration at beginning of Sep-13

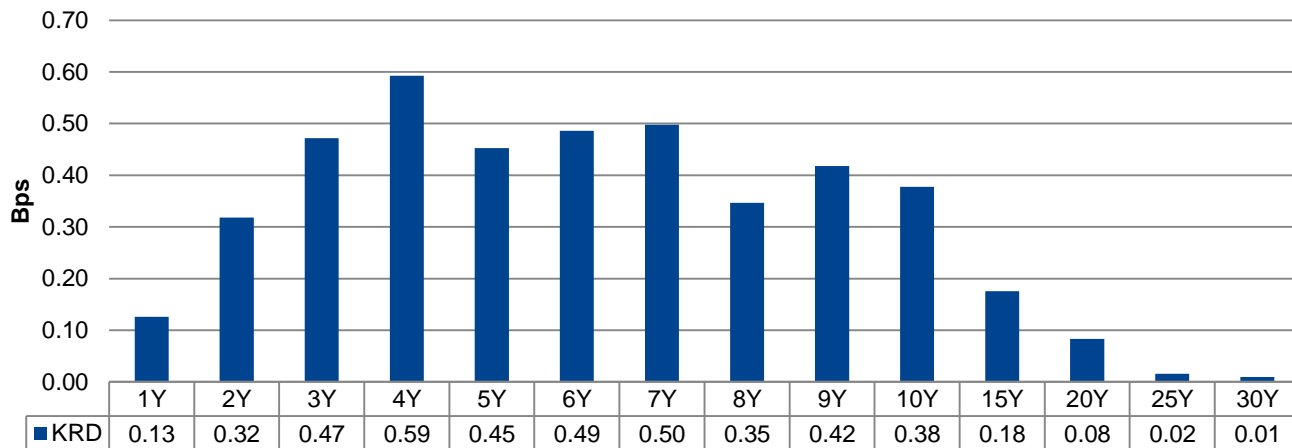


Figure 10: Yield curve shifts for Sep-13 at key rates

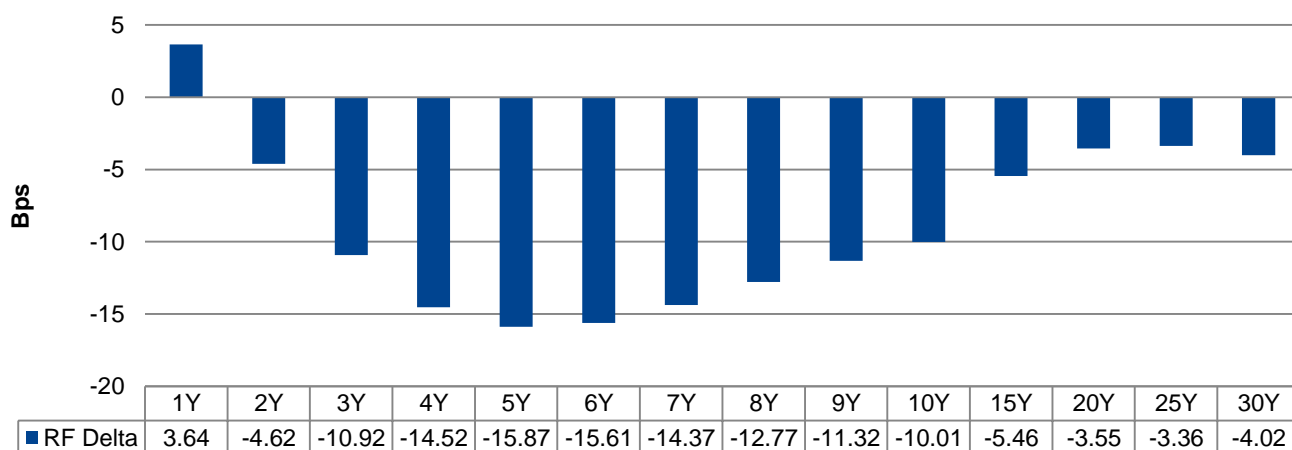
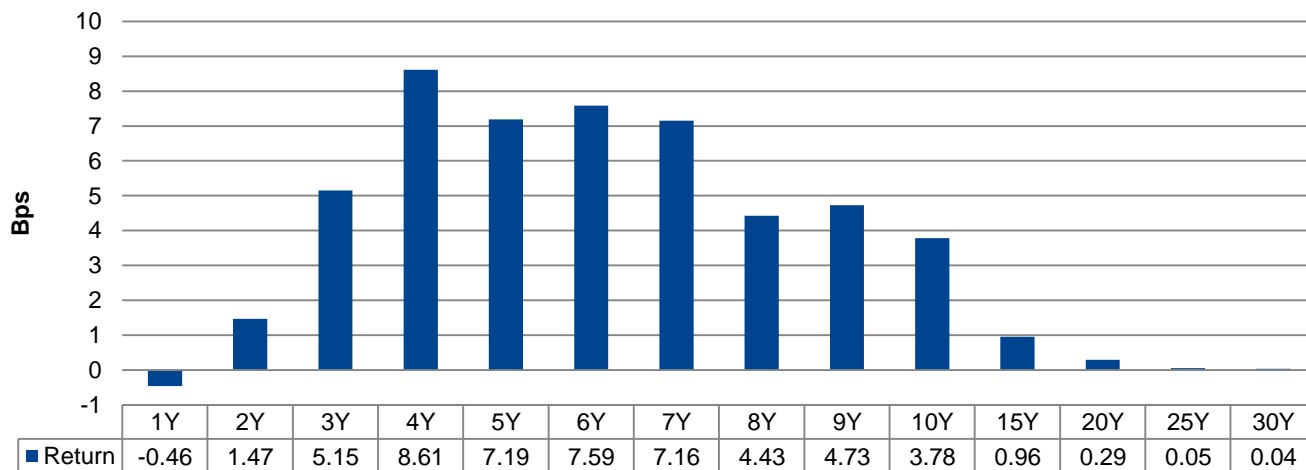


Figure 11: Return attribution for Sep-13 by key rates



Source: Markit iBoxx Data

Relative value opportunities in € Financials

Figure 12: € Financial AA sector curve

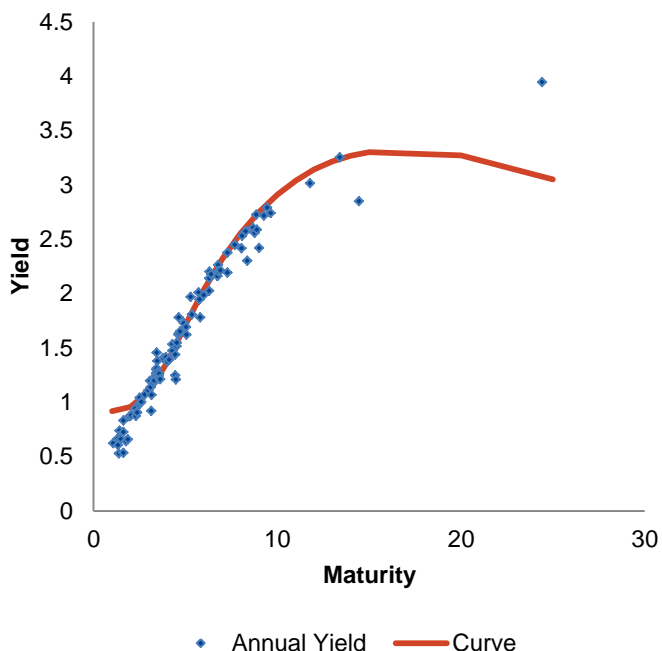


Figure 13: € Financial A sector curve

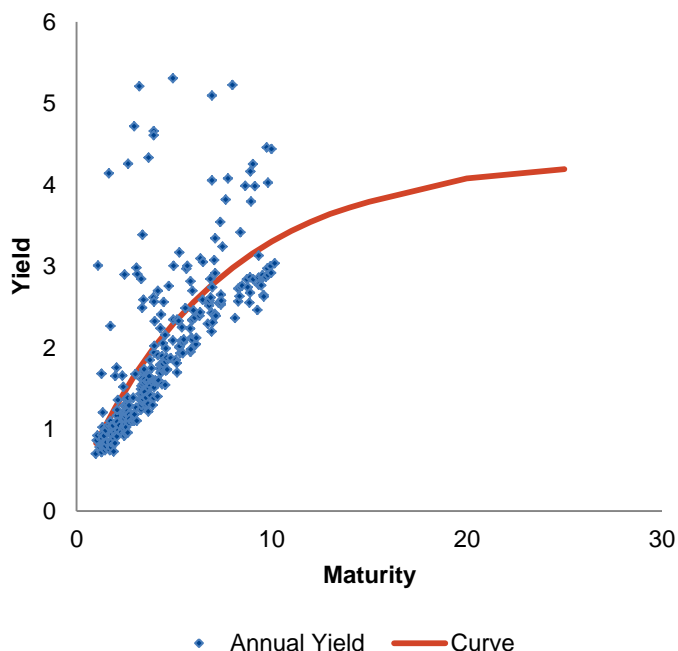


Table 8: Top/Bottom 5 bonds according to distance to curve

Bottom 5

ISIN	Name	TTM	OAS
XS0350890470	GE CAP EUR FUND	24.41	141
XS0493543986	AUST & NZ BANK	3.44	90
XS0630545852	WESTPAC BANKING	4.65	98
XS0385688097	GE CAP EUR FUND	5.29	119
XS0494870701	WESTPAC SEC NZ L	3.47	96

Top 5

ISIN	Name	TTM	OAS
XS0487438979	RABOBANK	1.38	52
XS0363922823	TORONTO DOM BANK	1.62	48
DE000A1HG1K6	ALLIANZ FINANCE	14.45	50
XS0802019231	SVENSKA HNDLSBKN	1.76	56
XS0532183935	NORDEA BANK AB	1.86	56

Table 9: Top/Bottom 5 bonds according to distance to curve

Bottom 5

ISIN	Name	TTM	OAS
FR0010409789	CNP ASSURANCES	3.22	485
XS0491212451	GE CAP TRUST IV	2.96	441
XS0221011454	HANNOVER FINANCE	1.67	408
AT0000A09SA8	VIENNA INSURANCE	4.95	462
XS0253627136	SWISS RE	2.65	401

Top 5

ISIN	Name	TTM	OAS
DE000DB5DCS4	DEUTSCHE BANK AG	9.28	81
DE000DB5S5U8	DEUTSCHE BANK AG	3.92	79
XS0304031775	UBS AG JERSEY	3.68	76
XS0561875450	MOTABILITY OPER	4.16	85
XS0742069643	MOTABILITY OPER	5.16	93

Source: Markit iBoxx Data

Figure 14: € Financial BBB sector curve

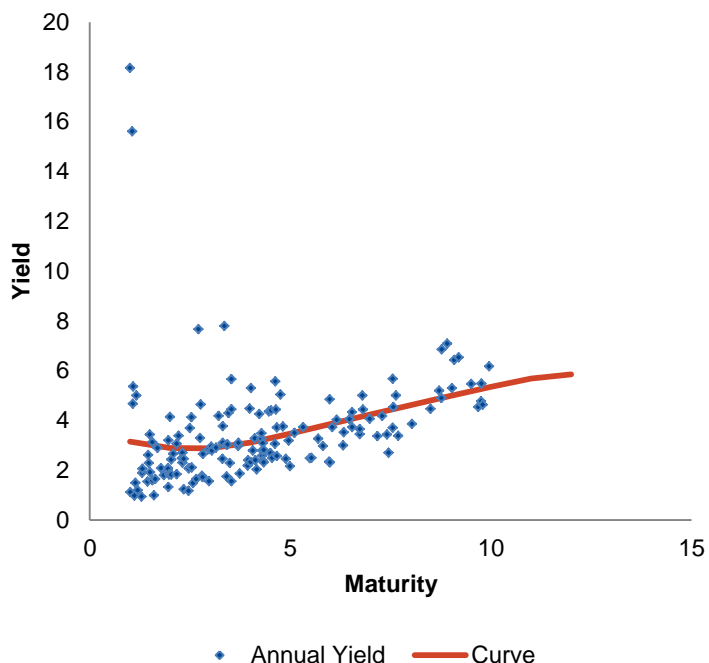


Figure 15: € Financial BB sector curve

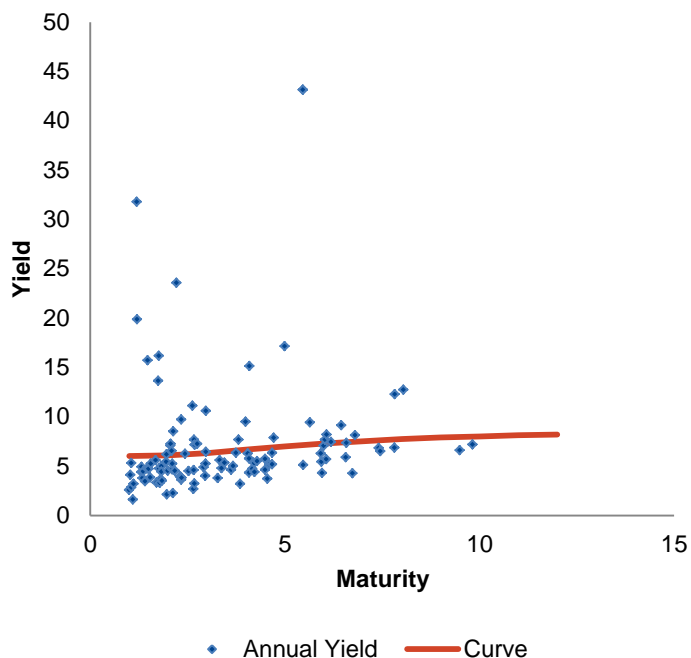


Table 10: Top/Bottom 5 bonds according to distance to curve

Bottom 5

ISIN	Name	TTM	OAS
XS0201169439	SANTANDER ISSUAN	1.00	1823
ES0213211099	BANCO BILBAO VIZ	1.05	1563
XS0283629946	GENERALI FINANCE	3.36	740
XS0256975458	GENERALI FINANCE	2.71	740
XS0295383524	SWISS LIFE	3.53	523

Top 5

ISIN	Name	TTM	OAS
XS0416215910	ASSICURAZIONI	1.11	100
XS0731124516	LEASEPLAN CORP	1.28	95
XS0836318997	BBVA SENIOR FIN	1.01	112
XS0218469962	GENERALI FINANCE	1.59	93
XS0472505287	NOMURA EUROPE FN	1.19	122

Table 11: Top/Bottom 5 bonds according to distance to curve

Bottom 5

ISIN	Name	TTM	OAS
XS0418135041	SANTANDER FINANC	5.46	4227
XS0206920141	SANTANDER PERP	1.19	3179
XS0205937336	BARCLAYS BK PLC	1.21	1989
BE0930906947	ETHIAS	2.22	2339
FR0010208751	GROUPAMA SA	1.76	1610

Top 5

ISIN	Name	TTM	OAS
XS0203831432	WENDEL INVEST	1.09	163
XS0290422095	WENDEL INVEST	1.97	201
ES0324244005	MAPFRE SA	2.13	211
XS0253989635	WENDEL SA	2.65	242
DE000CB59FV0	COMMERZBANK AG	1.00	264

Source: Markit iBoxx Data

Fixed income ETF market activity

ETF product launch activity

Table 12: Europe fixed income ETF launches

Launch date	ETF Name	Ticker	Provider	Type
23/09/2013	Guggenheim BulletShares 2019 High Yield Corporate Bond	BSJJ	Guggenheim Funds	Corporate
23/09/2013	Guggenheim BulletShares 2020 High Yield Corporate Bond	BSJK	Guggenheim Funds	Corporate
25/09/2013	iShares Short Maturity Bond ETF	NEAR	iShares - US	Corporate

Table 13: US fixed income ETF launches

Launch date	ETF Name	Ticker	Provider	Type
13/09/2013	LYXOR UCITS ETF BTP 10Y - MTS Italy Government Bond	MI10	Lyxor	Government
16/09/2013	iShares £ Corporate Bond Interest Rate Hedged UCITS	SLXH	iShares - Europe	Corporate
16/09/2013	iShares \$ Corporate Bond Interest Rate Hedged UCITS	LQDH	iShares - Europe	Corporate
19/09/2013	SPDR Barclays 0-5 Year U.S. High Yield Bond UCITS ETF	SYBK	SPDR ETFs - Europe	Corporate

Fixed income ETF cash flows

Table 14: Fixed income ETF cash flows by sector

All figures in \$ million except otherwise stated

Type	Sep-13				YTD			
	Europe*	USA*	Asia*	Total	Europe*	USA*	Asia*	Total
Broad Market	34	(74)	2	(39)	1,308	4,398	69	5,775
Sovereigns	1,306	3,757	(313)	4,750	7,041	1,671	119	8,832
Sub-Sovereigns	0	(289)	0	(289)	0	(651)	0	(651)
Corporates IG	116	600	(75)	640	454	3,686	34	4,174
Covered	(17)	0	0	(17)	388	(3)	0	385
Convertible	0	171	0	171	0	598	0	598
High Yield	220	1,937	(17)	2,139	962	2,961	(17)	3,906
Loans	0	527	0	527	0	4,957	0	4,957
Asset Backed	0	(137)	0	(137)	23	(642)	0	(618)
CDS	9	0	0	9	(8)	0	0	(8)
Inflation	(83)	(559)	0	(642)	(251)	(4,749)	0	(5,000)
Money Market	(190)	(193)	132	(251)	(2,134)	3,224	649	1,739
Preferred Stock	0	(565)	0	(565)	0	(790)	33	(758)
Yield-Curve Strategy	0	(2)	0	(2)	0	(9)	0	(9)
Total	1,394	5,171	(271)	6,294	7,784	14,651	887	23,322

* Listing Region

Source: Markit ETP Analytics

Fixed income ETF issuers by AUM

Table 15: Top 10 Fixed income ETF issuers by AUM and regions

All figures in \$ million except otherwise stated

Europe		
Issuer	AUM	Share
iShares - Europe	46,273	59.0%
db x-trackers - Europe	10,618	13.5%
Lyxor	6,800	8.7%
Source ETF	3,590	4.6%
ETFlab	3,183	4.1%
Amundi ETF	2,883	3.7%
SPDR ETFs - Europe	2,628	3.4%
ComStage ETFs	1,255	1.6%
Think Capital	498	0.6%
UBS ETF - Europe	208	0.3%
Others	474	0.6%
Total	78,410	100.0%

US		
Issuer	AUM	Share
iShares - US	135,551	51.4%
Vanguard - US	48,279	18.3%
SPDR ETFs - US	28,338	10.8%
PowerShares - US	13,986	5.3%
PIMCO ETFs	13,494	5.1%
ProShares ETFs	6,794	2.6%
Guggenheim Funds	4,151	1.6%
Market Vectors	3,652	1.4%
FlexShares	2,319	0.9%
WisdomTree ETFs	2,096	0.8%
Others	4,811	1.8%
Total	263,470	100.0%

Asia		
Issuer	AUM	Share
SSgA Asia ETFs	3,130	41.6%
Kodex Korea ETFs	951	12.6%
Tiger Korea	420	5.6%
KOSEF Korea ETFs	413	5.5%
Nikko Singapore ETFs	406	5.4%
HSBC - Hong Kong	384	5.1%
KStar Korea ETFs	335	4.5%
BetaShares Australia ETFs	260	3.5%
AmInvestment Malaysia ETFs	214	2.9%
Kasikorn Thailand ETFs	172	2.3%
Others	834	11.1%
Total	7,518	100.0%

Total		
Issuer	AUM	Share
BlackRock	182,048	52.1%
Vanguard	48,290	13.8%
State Street	34,109	9.8%
PowerShares	14,295	4.1%
PIMCO	13,494	3.9%
Deutsche Bank	10,677	3.1%
Société Générale	6,800	1.9%
ProShares	6,794	1.9%
Guggenheim Investments	4,151	1.2%
Van Eck Securities Corporation	3,652	1.0%
Others	25,089	7.2%
Total	349,398	100.0%

Source: Markit ETP Analytics

Fixed income ETFs by inflow and outflow

Table 16: Europe top 10 fixed income ETF by inflows during last month

All figures in \$ million except otherwise stated

ETF Name	Ticker	Issuer	Sep-13 Flows	YTD Flows
iShares J.P. Morgan \$ Emerging Markets Bond UCITS ETF	IEMB	BlackRock	372	455
Amundi EX AAA Government Bond EuroMTS Investment Grade UCITS ETF	X1G	Amundi	269	388
iShares Emerging Markets Local Government Bond UCITS	IUSP	BlackRock	177	149
iShares Emerging Markets Local Government Bond UCITS ETF	IEML	BlackRock	177	555
SPDR Barclays Emerging Markets Local Bond UCITS ETF	SYBM	State Street	170	330
iShares £ Corporate Bond 1-5yr UCITS ETF	IS15	BlackRock	143	278
Lyxor ETF EuroMTS 3-5Y Investment Grade	MTB	Société Générale	123	181
Amundi ETF Euro Corporates UCITS ETF	CC4	Amundi	100	(25)
iShares \$ Treasury Bond 7-10yr UCITS ETF	IDTM	BlackRock	90	137
iShares Euro High Yield Corporate Bond UCITS ETF	IHYG	BlackRock	89	326

Table 17: US top 10 fixed income ETF by inflows in last month

All figures in \$ million except otherwise stated

ETF Name	Ticker	Issuer	Sep-13 Flows	YTD Flows
iShares 3-7 Year Treasury Bond ETF	IEI	BlackRock	2,799	2,318
ProShares Ultra 7-10 Year Treasury	UST	ProShares	790	162
iShares iBoxx \$ High Yield Corporate Bond ETF	HYG	BlackRock	786	(515)
iShares Floating Rate Bond ETF	FLOT	BlackRock	592	2,961
PowerShares Senior Loan Portfolio ETF	BKLN	PowerShares	505	4,372
SPDR Barclays Short Term High Yield Bond ETF	SJNK	State Street	488	1,790
Vanguard Short-Term Bond ETF	BSV	Vanguard	232	4,346
Vanguard Short-Term Corporate Bond Index Fund	VCSH	Vanguard	222	2,253
SPDR Barclays High Yield Bond ETF	JNK	State Street	220	(3,110)
PIMCO 0-5 Year High Yield Corporate Bond Index Fund	HYS	PIMCO	188	2,228

Source: Markit ETP Analytics

Table 18: Europe top 10 fixed income ETF by outflows during last month

All figures in \$ million except otherwise stated

ETF Name	Ticker	Issuer	Sep-13 Flows	YTD Flows
iShares Euro Corporate Bond Large Cap UCITS ETF	IBCX	BlackRock	(168)	(632)
LYXOR UCITS ETF BONO 10Y - MTS SPAIN GOVERNMENT BOND	ES10	Société Générale	(83)	56
iShares \$ Treasury Bond 1-3yr UCITS ETF	IDBT	BlackRock	(71)	388
Lyxor ETF Euro Corporate Bond	CRP	Société Générale	(71)	(25)
db x-trackers II EONIA TR Index ETF 1C	DBXT	Deutsche Bank	(67)	(781)
Lyxor ETF Euro Cash EONIA	CSH	Société Générale	(61)	(573)
Amundi ETF Govt Bond EuroMTS Broad Investment Grade 3-5 UCITS ETF	C33	Amundi	(53)	(34)
iShares UK Gilts 0-5yr UCITS ETF	IGLS	BlackRock	(51)	(62)
iShares £ Corporate Bond UCITS ETF	SLXX	BlackRock	(39)	(512)
XACT Sweden Repo ETF	XACT REPO	XACT Fonder AB	(36)	(0)

Table 19: US top 10 fixed income ETF by outflows during last month

All figures in \$ million except otherwise stated

ETF Name	Ticker	Issuer	Sep-13 Flows	YTD Flows
iShares TIPS Bond ETF	TIP	BlackRock	(486)	(6,670)
iShares iBoxx \$ Investment Grade Corporate Bond ETF	LQD	BlackRock	(479)	(6,690)
iShares U.S. Preferred Stock ETF	PFF	BlackRock	(463)	(918)
iShares Short Treasury Bond ETF	SHV	BlackRock	(276)	815
PIMCO Total Return Exchange-Traded Fund	BOND	PIMCO	(220)	205
iShares Intermediate Credit Bond ETF	CIU	BlackRock	(203)	557
iShares National AMT-Free Muni Bond ETF	MUB	BlackRock	(145)	(217)
FlexShares iBoxx 5-Year Target Duration TIPS Index Fund	TDTF	Northern Trust	(116)	32
iShares MBS ETF	MBB	BlackRock	(113)	(817)
Vanguard Long-Term Bond ETF	BLV	Vanguard	(90)	(167)

Source: Markit ETP Analytics

Fixed income ETFs by assets

Table 20: Europe top 20 fixed income ETFs by assets

All figures in \$ million except otherwise stated

ETF Name	Ticker	Issuer	Type	AUM	Turnover
iShares Euro Corporate Bond Large Cap UCITS ETF	IBCX	iShares - Europe	Corporate	3,922	374
iShares Euro Corporate Bond UCITS ETF	IEAC	iShares - Europe	Corporate	3,229	448
iShares Euro High Yield Corporate Bond UCITS ETF	IHYG	iShares - Europe	High Yield	2,659	168
iShares J.P. Morgan \$ Emerging Markets Bond UCITS ETF	IEMB	iShares - Europe	Sovereign	2,498	461
iShares Euro Corporate Bond ex-Financials UCITS ETF	IEXF	iShares - Europe	Corporate	2,404	65
iShares Euro Government Bond 3-5yr UCITS ETF	IBGX	iShares - Europe	Government	1,673	55
iShares \$ Treasury Bond 1-3yr UCITS ETF	IDBT	iShares - Europe	Treasury	1,608	171
iShares £ Corporate Bond UCITS ETF	SLXX	iShares - Europe	Investment Grade	1,584	160
iShares eb.rexx Jumbo Pfandbriefe (DE)	EXHE	iShares - Europe	Covered Bond	1,463	50
Source PIMCO Euro Short Maturity ETF	PJS1	Source ETF	Broad Market	1,381	9
Source PIMCO USD Short Maturity ETF	MINT	Source ETF	Government	1,361	2
iShares UK Gilts UCITS ETF	IGLT	iShares - Europe	Government	1,309	166
iShares \$ Corporate Bond UCITS ETF	LQDE	iShares - Europe	Corporate	1,274	122
iShares Euro Government Bond 1-3yr UCITS ETF	IBGS	iShares - Europe	Government	1,271	70
iShares UK Gilts 0-5yr UCITS ETF	IGLS	iShares - Europe	Government	1,264	272
iShares £ Index-Linked Gilts UCITS ETF	INXG	iShares - Europe	Inflation	1,263	82
iShares eb.rexx Government Germany 1.5-2.5 (DE)	EXHB	iShares - Europe	Government	1,198	23
iShares \$ High Yield Corporate Bond UCITS	IS0R	iShares - Europe	High Yield	1,147	3
iShares \$ High Yield Corporate Bond UCITS ETF	IHYU	iShares - Europe	High Yield	1,147	83
db x-trackers II iBoxx EUR Sovereigns Euro Yield Plus	XY4P	db x-trackers - Europe	Sovereign	1,127	63

Source: Markit ETP Analytics

Table 21: US top 20 fixed income ETFs by assets

All figures in \$ million except otherwise stated

ETF Name	Ticker	Issuer	Type	AUM	Turnover
iShares iBoxx \$ Investment Grade Corporate Bond ETF	LQD	iShares - US	Investment Grade	17,190	1,554
Vanguard Total Bond Market ETF	BND	Vanguard - US	Broad Market	16,976	381
iShares iBoxx \$ High Yield Corporate Bond ETF	HYG	iShares - US	High Yield	15,211	3,892
iShares Core Total U.S. Bond Market ETF	AGG	iShares - US	Broad Market	14,449	518
iShares TIPS Bond ETF	TIP	iShares - US	TIPS	14,109	461
Vanguard Short-Term Bond ETF	BSV	Vanguard - US	Broad Market	13,551	406
iShares 1-3 Year Credit Bond ETF	CSJ	iShares - US	Investment Grade	11,174	324
iShares U.S. Preferred Stock ETF	PFF	iShares - US	Preferred Stock	9,346	377
SPDR Barclays High Yield Bond ETF	JNK	SPDR ETFs - US	High Yield	9,192	1,530
iShares 1-3 Year Treasury Bond ETF	SHY	iShares - US	Treasury	8,351	650
Vanguard Short-Term Corporate Bond Index Fund	VCSH	Vanguard - US	Investment Grade	6,975	231
PowerShares Senior Loan Portfolio ETF	BKLN	PowerShares - US	Leveraged Loan	5,800	399
iShares Intermediate Credit Bond ETF	CIU	iShares - US	Corporate	5,719	143
iShares MBS ETF	MBB	iShares - US	Agency MBS	5,546	243
iShares 3-7 Year Treasury Bond ETF	IEI	iShares - US	Treasury	5,385	805
PIMCO Enhanced Short Maturity Strategy Fund	MINT	PIMCO ETFs	Money Market	4,192	189
iShares 7-10 Year Treasury Bond ETF	IEF	iShares - US	Treasury	4,102	827
iShares J.P. Morgan USD Emerging Markets Bond ETF	EMB	iShares - US	Sovereign	3,970	772
PIMCO Total Return Exchange-Traded Fund	BOND	PIMCO ETFs	Broad Market	3,927	131
ProShares UltraShort 20+ Year Treasury ETF	TBT	ProShares ETFs	Treasury	3,895	2,108

Source: Markit ETP Analytics

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