

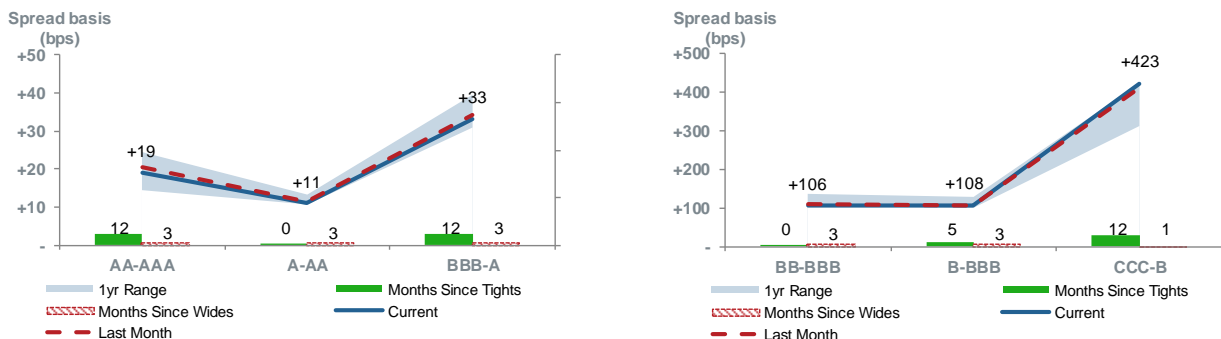
Global fixed income monthly focus – April 2016

Leveraged loans • Credit default swaps • Global corporate bonds • Sovereigns • Municipal bonds • Securitised products

Calmer global financial markets provided the backdrop for corporate bonds to rally across the month. Major developed nation central banks were in action and set an accommodative tone. The European Central Bank (ECB) revealed details of its corporate bond buying programme (CSPP), the US Federal Reserve remained cautious on interest rate hikes, and the Bank of Japan decided not to take interest rates into more negative territory.

- High yield loan sector spreads were generally tighter in April, with every CCC+ category tighter on the month. The [Markit iBoxx USD Leveraged Loans Index \(MiLLi\)](#) returned 2.0% in April, bringing it to +3.6% after being down nearly 2% YTD in February
- After a strong rally in March, the major CDS indices experienced relative stability during April. The [Markit iTraxx Europe](#) closed the month at 73.4bps, less than 0.5bp wider. The index traded in a range of 68-82bps, which is nothing out of the ordinary by the standards of the credit markets. It was a similar picture in North America, where the [Markit CDX North American Investment Grade](#) was also little changed - just 1bp tighter over the month at 77.5bps, with trading in an even more limited range than in Europe
- Global A-AA and BB-BBB CDS sector spreads' credit basis reached a new one year tightest level in April, indicating further flattening of the higher rated end of the CDS credit curve (**Figure 1**)
- The [Markit iBoxx USD Liquid High Yield Index](#) returned 3.4% in April, making it the best performing sub index. US HY bonds have now returned 6.8% so far this year, having been down more than 5% in mid-February
- Sovereign bonds had a bit of a setback over April as yields rose from their lows which saw sovereign bonds in both the US and Europe trade down on the month on a total return basis. The April reading of the [Nikkei Flash Japan Manufacturing PMI](#) indicated a contraction in output, but investors have shown few signs of reacting to the downbeat numbers as the country's CDS spread tightened by a fifth over the month to 36bps
- Q1 2016 recorded the highest quarterly inflow (+\$1.8bn) into municipal bond ETFs. April reported a \$587m inflow, starting off Q2 strong, but at a slightly slower pace than last quarter. On May 18th, Puerto Rico Governor Alejandro García Padilla suspended the transfer of toll road revenue to bond holders for the Puerto Rico Highway and Transportation Authority (PRHTA) issues after declaring a state of emergency for the entity
- Securitised product spreads continued to tighten across most asset classes due to a combination of continued improvement in overall credit spreads, as well as a sharp slowdown in issuance versus last year

Figure 1: Global CDS sector spreads credit basis



Source: Markit

Leveraged loans

Leverage loans continue to rally after February's lows

High yield loan sector spreads were generally tighter in April, with every CCC+ category tighter on the month (**Table 3**). However, BBB- down to B- rated North American and European energy and utility sector spreads were all modestly wider on the month (**Figure 2**). It is worth noting that the credit curves for consumer goods, consumer services, and healthcare sectors all flattened during the month, with BBB-, BB+, and BB cohorts widening and the lower credits tightening on the month.

The [Markit iBoxx USD Leveraged Loans Index \(MiLLi\)](#) returned 2.0% in April, bringing it to +3.6% after being down nearly 2% YTD in February. However, the index still lagged this month's 3.4% solid return reported for [Markit iBoxx USD Liquid High Yield Index](#).

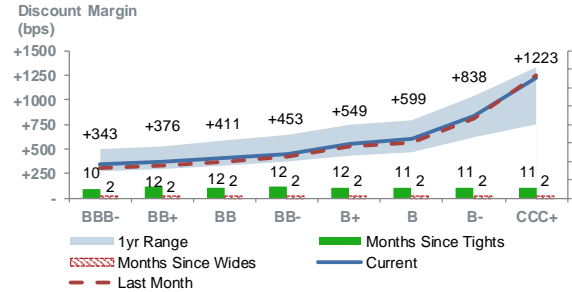
Distressed energy loans were the best performers in April

The top North American distressed loans were all from the energy sector, with prices increasing sharply higher across the category. The best performer in the region was the American Energy Marcellus 8/14 Cov-Lite TL loan, which increased 62.9% to close April at a 26.60 price.

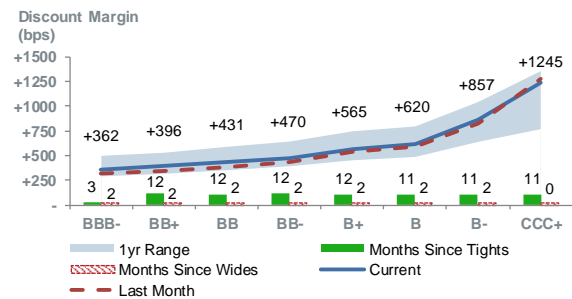
The BlackBrush 7/14 Cov-Lite 2nd Lien TL was the best performing par loan in North America, increasing 12.3% to an 85.17 price at month end. The best performing par loan in Europe was the Aenova 9/14 SCH TL from the healthcare sector, which increased 10.8% month-over-month to a 94.81 price.

Figure 2: North America leveraged loan energy and utility sector spreads

Energy



Utilities



Source: Markit

Table 1: April North American loans best and worst price performance¹

North America

LXID	Loan Name	Sector	Country	Liq score	4/29 price	% change	One year low	Date	One year high	Date	
Best Performers											
Par											
1	LX138458	BlackBrush 7/14 Cov-Lite 2nd Lien TL	Energy	USA	3	85.17	+12.3%	66.83	3/3/16	94.25	5/8/15
2	LX128471	MEG Energy 2/13 Cov-Lite TL	Energy	CAN	1	89.33	+11.3%	68.83	2/15/16	98.88	5/6/15
3	LX134917	YRC 2/14 TL	Industrials	USA	4	87.67	+10.8%	75.25	2/15/16	98.88	5/1/15
4	LX135944	Caesars Growth (Harrah's) 4/14 Cov-Lite TL	Consumer Services	USA	4	89.00	+9.5%	75.33	3/16/16	90.63	5/25/15
5	LX129276	Securus Technologies 4/13 2nd Lien Cov-Lite TL	Telecom Services	USA	4	88.92	+8.1%	52.50	1/26/16	96.31	5/1/15
Distressed											
1	LX138431	American Energy Marcellus 8/14 Cov-Lite TL	Energy	USA	3	26.60	+62.9%	15.30	3/3/16	82.25	5/1/15
2	LX138820	Southcross Holdings 8/14 Cov-Lite TL	Energy	USA	4	16.00	+56.1%	10.17	3/29/16	97.21	6/19/15
3	LX143728	Murray Energy 3/15 Cov-Lite TLB2	Energy	USA	3	67.45	+33.3%	39.77	2/25/16	99.02	5/8/15
4	LX143607	C&J Energy 3/15 Cov-Lite TLB2	Energy	USA	3	52.75	+29.1%	35.67	2/29/16	94.58	5/15/15
5	LX126063	Sheridan Production Partners 10/12 7YR (1) TLB2	Energy	USA	3	51.50	+28.2%	33.67	2/24/16	96.08	5/1/15
Worst Performers											
Par											
1	LX120520	Autoparts Holdings 7/11 TLB	Consumer Goods	USA	2	88.71	-2.9%	72.33	12/14/15	98.96	5/11/15
2	LX143787	American Tire Distributors 3/15 Cov-Lite TL	Consumer Goods	USA	2	97.25	-2.3%	96.38	2/15/16	100.92	6/8/15
3	LX137932	Rovi 7/14 Cov-Lite TLB	Technology	USA	2	96.31	-2.2%	92.67	11/13/15	100.08	5/12/15
4	LX147073	LBM 8/15 2nd Lien Cov-Lite TL TL	Consumer Goods	USA	5	91.31	-1.3%	91.00	2/16/16	96.00	12/9/15
5	LX128467	Immucor 2/13 TL	Healthcare	USA	4	95.00	-1.2%	89.08	2/16/16	100.44	6/24/15
Distressed											
1	LX136847	Bennu Oil & Gas 4/14 2nd Lien TL	Energy	USA	5	5.83	-46.2%	10.83	3/31/16	82.58	5/7/15
2	LX150532	SunEdison 12/15 2nd Lien TLA2	Technology	USA	3	27.67	-38.2%	19.75	4/20/16	72.17	1/12/16
3	LX141608	TOMS Shoes 10/14 TL	Consumer Services	USA	5	48.00	-25.7%	48.00	4/29/16	92.47	8/18/15
4	LX149955	Millennium Laboratories 12/15 TL	Healthcare	USA	4	74.50	-21.2%	74.50	4/29/16	95.20	4/25/16
5	LX144217	Avaya 5/15 B7 TLB	Technology	USA	1	62.75	-5.7%	57.33	2/18/16	98.93	5/4/15

Source: Markit

¹ Par is defined as a loan with a month end price of 85 or higher and distressed has a price lower than 85.

Table 2: April European loans best and worst price performance¹

Europe

	LXID	Loan Name	Sector	Country	Liq score	4/29 price	% change	One year low	Date	One year high	Date
Best Performers											
Par											
1	LX142051	Aenova 9/14 SCH TL	Healthcare	LUX	3	94.81	+10.8%	83.25	2/22/16	100.58	6/12/15
2	LX136075	TNT Logistics 3/14 (USD) Pre-Funded Synthetic LC	Industrials	GBR	4	87.25	+6.2%	75.88	3/10/16	95.55	5/6/15
3	LX132212	Consolis 8/13 Restructured PIK TL	Consumer Goods	FRA	4	89.07	+5.6%	80.00	3/4/16	95.13	5/13/15
4	LX122688	Tronox (2/12) TL	Basic Materials	NLD	1	96.44	+4.5%	86.50	9/29/15	100.34	5/6/15
5	LX139396	Amaya 7/14 (USD) Cov-Lite TL	Consumer Services	NLD	1	95.56	+4.2%	90.96	11/16/15	100.17	7/16/15
Distressed											
1	LX139193	Aenova 8/14 Cov-Lite 2nd Lien TL	Healthcare	DEU	5	82.00	+17.3%	69.92	3/31/16	100.25	6/24/15
2	LX135384	Seadrill Partners 2/14 TL	Energy	GBR	2	49.08	+11.6%	34.88	12/14/15	83.50	5/20/15
3	LX139588	Expro Holdings 8/14 Cov-Lite TL	Energy	LUX	3	72.50	+7.9%	57.91	2/16/16	89.09	5/6/15
4	LX137333	Deoleo 6/14 TL	Consumer Goods	ESP	2	78.79	+7.0%	61.92	3/18/16	97.36	6/12/15
5	LX137173	KCA 5/14 TLB	Energy	GBR	1	70.64	+4.9%	51.50	3/4/16	89.25	5/1/15
Worst Performers											
Par											
1	LX139558	Endemol 8/14 (USD) Cov-Lite TL	Consumer Services	NLD	1	85.30	-2.0%	81.58	3/1/16	99.60	5/8/15
2	LX134783	HC Starck 12/13 (USD) 1 TLE	Basic Materials	DEU	5	92.06	-1.6%	88.58	11/10/15	98.38	7/21/15
3	LX134382	Burton's Biscuits 12/13 (GBP) TLB	Consumer Goods	GBR	4	92.33	-1.3%	81.08	1/12/16	93.50	3/31/16
4	LX137596	Agrokor 5/14 PIK Toggle (Fixed 10.50%) TL	Consumer Goods	HRV	3	93.94	-0.7%	93.42	4/11/16	103.61	6/2/15
5	LX145274	RAET 7/15 TL	Technology	NLD	5	98.50	-0.2%	97.83	2/29/16	99.50	1/28/16
Distressed											
1	LX129817	Pacific Drilling 5/13 TL	Energy	LUX	3	28.63	-8.0%	19.19	2/29/16	89.25	5/19/15
2	LX138629	FCC 6/14 (EUR) PIK TLB	Industrials	ESP	5	84.33	-2.3%	83.00	11/9/15	91.67	7/20/15
3	LX110984	HC Starck 11/06 (EUR) 2nd Lien TLB	Basic Materials	DEU	5	81.00	-2.1%	65.17	2/9/16	91.96	6/15/15
4	LX131553	CBR 9/13 (Germany) Extended TLC2	Consumer Services	DEU	4	82.75	-0.5%	80.17	3/1/16	99.81	6/24/15
5	LX146780	AVR 7/15 Holdco PIK TL	Industrials	NLD	5	41.22	-0.4%	30.20	3/2/16	58.17	7/20/15

Source: Markit

Table 3: North American and European loan sector curve monthly discount margin spread change in basis points

		BBB-	BB+	BB	BB-	B+	B	B-	CCC+
Basic Materials	NA	-13	-6	-15	-21	-27	-26	-31	-90
	EU	-9	-3	-13	-19	-24	-25	-29	-86
	Change NA-EU	-3.3	-2.5	-2.3	-2.3	-3.0	-1.8	-2.1	-3.4
Consumer Goods	NA	+4	+11	+1	-5	-10	-10	-14	-73
	EU	+8	+14	+4	-1	-6	-7	-11	-69
	Current NA-EU	-4.4	-3.6	-3.4	-3.3	-4.1	-2.9	-3.2	-4.5
Consumer Services	NA	-0	+7	-3	-9	-15	-14	-18	-77
	EU	+4	+10	+1	-5	-10	-11	-15	-72
	Current NA-EU	-4.5	-3.7	-3.5	-3.5	-4.2	-3.0	-3.3	-4.6
Energy	NA	+42	+49	+40	+34	+28	+29	+24	-34
	EU	+47	+53	+43	+37	+32	+31	+27	-30
	Current NA-EU	-4.3	-3.4	-3.2	-3.2	-3.9	-2.7	-3.0	-4.3
Financials	NA	-17	-10	-20	-26	-31	-31	-35	-94
	EU	-11	-5	-15	-21	-26	-27	-31	-88
	Current NA-EU	-5.7	-4.8	-4.6	-4.6	-5.3	-4.1	-4.4	-5.7
Healthcare	NA	+9	+16	+6	+0	-5	-5	-9	-68
	EU	+13	+19	+9	+3	-2	-2	-6	-64
	Current NA-EU	-4.2	-3.3	-3.1	-3.1	-3.8	-2.6	-2.9	-4.2
Industrials	NA	-14	-7	-16	-22	-28	-27	-32	-90
	EU	-9	-3	-13	-19	-24	-25	-29	-86
	Current NA-EU	-4.1	-3.3	-3.1	-3.1	-3.8	-2.6	-2.9	-4.2
Technology	NA	-12	-6	-15	-21	-27	-26	-30	-89
	EU	-8	-2	-12	-17	-22	-23	-27	-85
	Current NA-EU	-4.6	-3.7	-3.5	-3.5	-4.2	-3.0	-3.4	-4.6
Telecommunication Services	NA	-17	-10	-20	-26	-31	-31	-35	-94
	EU	-12	-6	-15	-21	-26	-27	-31	-88
	Current NA-EU	-5.3	-4.5	-4.3	-4.3	-5.0	-3.8	-4.1	-5.4
Utilities	NA	+20	+27	+17	+11	+5	+6	+2	-57
	EU	+26	+32	+22	+17	+12	+11	+7	-50
	Current NA-EU	-6.5	-5.7	-5.5	-5.5	-6.2	-5.0	-5.3	-6.6

Source: Markit

Credit default swaps

After a strong rally in March, the major CDS indices experienced relative stability during April. The [Markit iTraxx Europe](#) closed the month at 73.4bps, less than 0.5bp wider. The index traded in a range of 68-82bps, which is nothing out of the ordinary by the standards of the credit markets. It was a similar picture in North America, where the [Markit CDX North American Investment Grade](#) was also little changed - just 1bp tighter over the month at 77.5bps, with trading in an even more limited range than in Europe.

iTraxx Europe and Markit CDX North American Investment Grade skew narrowed in April

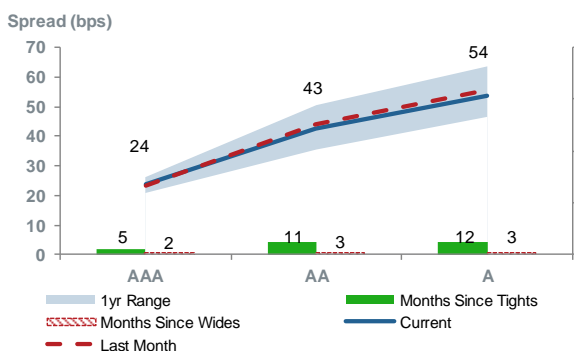
Both the [Markit iTraxx Europe](#) and the [Markit CDX North American Investment Grade](#) are highly liquid indices, and they are undoubtedly valuable tools for hedging and taking directions views on investment grade credit. But they don't tell the whole story in CDS, as can be seen by examining the index skew (the basis between the traded index level and its theoretical spread). Over April, the skew on the [Markit iTraxx Europe](#) narrowed from 13bps to 4bps and from 13bps to 8bps on the [Markit CDX North American Investment Grade](#). In both cases this reflected a rally in the underlying constituents; in other words, single names outperformed indices, though they still trade slightly wider.

Recovery in commodity prices fuel mining and energy sector spread tightening

Table 4 shows which sectors drove the outperformance. Both in Europe and North America, the recovery in commodity prices helped the mining and energy sectors. Repsol, a vertically integrated oil and gas company, rallied 78bps to 193bps, though this is still more than 100bps wider than levels reached a year ago. Steel producer ThyssenKrupp and cement makers LafargeHolcim and HeidelbergCement also made significant gains.

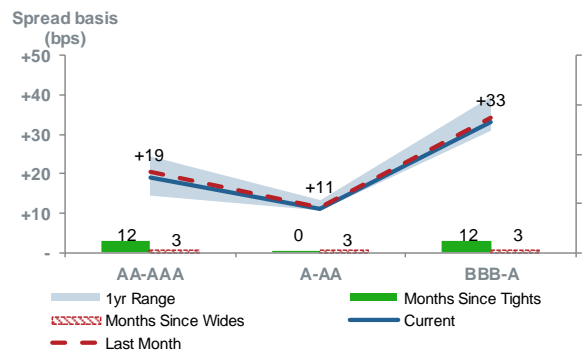
Figure 3: Global CDS sector summary

Global spreads by rating



Source: Markit

Figure 4: Global investment grade CDS spread basis



Source: Markit

In North America, it was the high beta credits that led the way, and many of these are energy names. Gold miner FreeportMcMoRan saw its spreads rally by almost 50% to 527bps, a level consistent with an implied rating of 'B', according to Markit data (Freeport is rated 'BB'). All but one of the top five performers were high yield names, in contrast with EMEA and Asia-Pacific, where the majority were investment grade.

Higher energy prices put pressure on consumer service companies

Of course, the rise in oil prices is conventionally considered to be a negative development for developed economies as consumers adjust their spending accordingly (**Table 5**). This was reflected in the North American CDS market, where most of the worst performing names belonged to the consumer services sector. Telecoms made up the bulk of the laggards in EMEA, though it was interesting to see Novo Banco as the worst performer. The Portuguese financial institution, formed as the "good bank" from the embers of Banco Espírito Santo, is a very well known name in the CDS word due to the contentious credit event in 2014. The ISDA DC decided against another credit event earlier this year and the story appears far from over amid bondholders challenging a government move to transfer bonds from Novo Banco back to Espírito Santo.

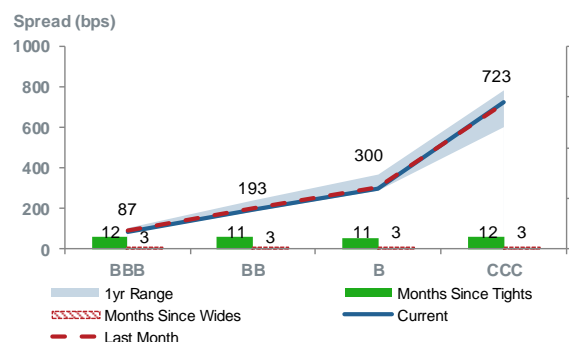
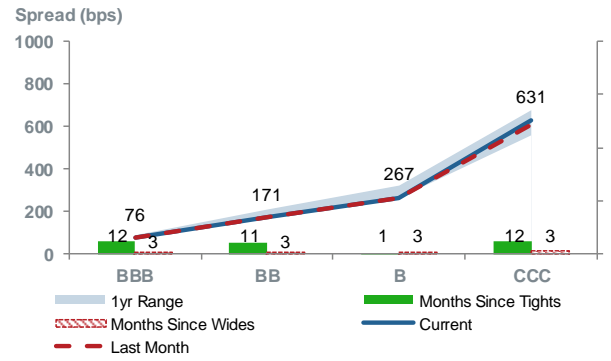
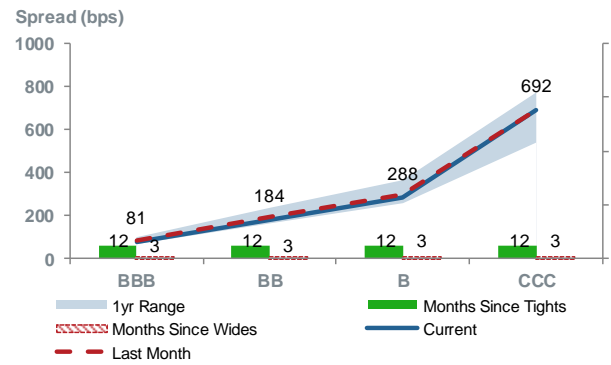


Figure 5: April regional CDS sector spread summary

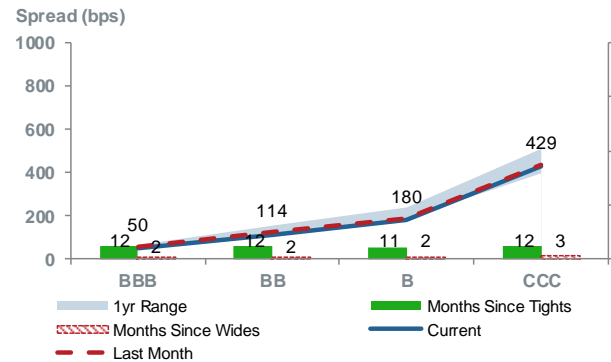
North America



Europe



Japan



Source: Markit

Table 4: April liquid 5yr corporate CDS best spread performance²

Best performers

	Ticker	Company	Sector	Country	Liq score	4/29 spread	Change	% change	One year tight	Date	One year wide	Date
Americas												
1	FREEPIN	FreeportMcMoRan Inc	Basic Materials	USA	2	527	-519	-49.6%	215	5/4/15	2221	1/25/16
2	TECKRS	Teck Res Ltd	Energy	CAN	2	632	-612	-49.2%	230	5/4/15	2215	12/8/15
3	AKS-Corp	AK Stl Corp	Basic Materials	USA	2	971	-807	-45.4%	777	5/14/15	3928	1/25/16
4	DVN	Devon Engy Corp	Energy	USA	2	301	-242	-44.6%	79	5/1/15	773	2/19/16
5	CHK	Chesapeake Engy Corp	Energy	USA	2	1795	-1437	-44.5%	369	5/14/15	10164	2/9/16
EMEA												
1	LAFALTD	LafargeHolcim Ltd	Industrials	CHE	2	104	-50	-32.6%	64	7/24/15	292	2/11/16
2	TKAGR	ThyssenKrupp AG	Basic Materials	DEU	2	192	-83	-30.1%	139	5/19/15	449	2/11/16
3	HEI	HeidelbergCement AG	Industrials	DEU	2	119	-49	-29.3%	86	5/15/15	300	2/11/16
4	REPSSA	REPSOL SA	Energy	ESP	2	193	-78	-28.7%	89	5/19/15	451	2/11/16
5	AKZO	Akzo Nobel NV	Basic Materials	NLD	2	56	-19	-25.8%	41	5/4/15	90	2/12/16
APAC												
1	NAB	Natl Aust Bk Ltd	Financials	AUS	2	103	-16	-13.6%	59	5/11/15	141	2/25/16
2	ANZ	Aust & New Zld Bkg Gp Ltd	Financials	AUS	2	103	-16	-13.5%	58	5/18/15	141	2/25/16
3	WSTP	Westpac Bkg Corp	Financials	AUS	2	103	-16	-13.5%	59	5/11/15	140	2/25/16
4	CBA	Comwith Bk Aust	Financials	AUS	2	103	-15	-12.9%	58	5/11/15	140	2/25/16
5	BHP	BHP Billiton Ltd	Basic Materials	AUS	1	145	-14	-9.0%	68	5/18/15	252	1/21/16

Source: Markit

² A liquid CDS is defined as an entity with a current Markit liquidity score of 1 or 2. Markit liquidity scores range from 1-5, with 1 being the most liquid and 5 the least liquid.

Table 5: April liquid 5yr corporate CDS worst spread performance²

Worst performers

	Ticker	Company	Sector	Country	Liq score	4/29 spread	Change	% change	One year tight	Date	One year wide	Date
Americas												
1	GPS	GAP INC	Consumer Services	USA	2	293	+77	+35.8%	76	5/4/15	314	2/8/16
2	AVT	Avnet Inc	Consumer Goods	USA	2	91	+22	+32.4%	56	12/30/15	96	7/8/15
3	ARW	ARROW ELECTRS INC	Technology	USA	2	90	+21	+30.9%	57	3/18/16	96	2/11/16
4	JCP	J C Penney Co Inc	Consumer Services	USA	2	642	+140	+27.8%	468	3/18/16	1009	1/6/16
5	AZO	Autozone Inc	Consumer Services	USA	1	38	+7	+21.0%	23	1/12/16	41	6/29/15
EMEA												
1	NOVOBAN	NOVO BCO SA	Financials	PRT	2	1612	+407	+33.8%	268	7/20/15	2774	1/11/16
2	WINDAQ	Wind Acquisition Fin SA	Telecom Services	LUX	1	575	+107	+22.7%	223	7/30/15	599	2/12/16
3	OTE	Hellenic Telecom Org SA	Telecom Services	GRC	2	451	+70	+18.3%	266	11/5/15	1031	7/7/15
4	LMETEL	TelefonAB L M Ericsson	Technology	SWE	2	90	+12	+15.8%	46	5/1/15	99	2/12/16
5	VIRFIN	VIRGIN MEDIA Fin PLC	Telecommunications Services	GBR	2	303	+34	+12.6%	176	5/20/15	339	9/29/15
APAC												
1	QANTAS	Qantas Awys Ltd	Industrials	AUS	2	200	+12	+6.1%	166	5/26/15	232	1/18/16
2	BCHINL	Bk of China Ltd	Financials	CHN	2	152	-2.5	-1.6%	106	6/25/15	180	2/11/16
3	FOSTGRO	FOSTERS GROUP PTY LTD	Consumer Goods	AUS	2	49	-1	-1.8%	39	5/27/15	53	2/12/16
4	TELECO	Telstra Corp Ltd	Telecom Services	AUS	2	68	-2.0	-2.8%	48	5/14/15	83	2/11/16
5	WPLAU	Woodside Pete Ltd	Energy	AUS	2	181	-6	-3.3%	90	5/11/15	284	1/21/16

Source: Markit

Global corporate bonds

Corporate bond risk appetite continues to improve

Continued appetite for risky assets was the overriding theme in corporate bond markets in April, led by emerging markets which continued to outperform this year; while further improvement in crude oil and commodity prices spurred on high yield bonds.

Calmer global financial markets provided the backdrop for corporate bonds to rally across the month. Major developed nation central banks were in action and set an accommodative tone. The ECB revealed details of its corporate bond buying programme (CSPP), the US Federal Reserve remained cautious on interest rate hikes, and the Bank of Japan decided not to take interest rates into more negative territory.

High yield the best performing corporate bond sector

The [Markit iBoxx USD Liquid High Yield Index](#) returned 3.4% in April, making it the best performing sub index (**Table 6**). US HY bonds have now returned 6.8% so far this year, having been down more than 5% in mid-February. [Markit iBoxx GBP Liquid High Yield Index](#) and [Markit iBoxx EUR Liquid High Yield Index](#) were more subdued, returning 0.9% and 1.9%, respectively. Investment grade bonds also continued to see yields tighten. [Markit iBoxx £ Liquid Investment Grade Index](#) increased 0.7% in April, while the dollar denominated counterparts increased 1.3% and has returned 5.1% YTD, outperforming US treasuries by 1.9%.

While unrivalled to March's broad based rally in corporate bonds, April saw the majority of [Markit iBoxx Index](#) sectors post positive returns. Further gains in commodity prices saw the dollar denominated basic materials and oil & gas sectors return 3.2% and 3.1%, respectively. That sector, along with telecoms, were the best performing sectors this year.

Energy bonds dominated the best performers this month

The energy sector dominated the list of best performing bonds in April (**Table 7**). The best performing USD denominated bond was the California Resources Corporation 5.5% 9/2021, which saw its price rise 21.25 points to 42.75 points. Similarly, Ev Energy Partners saw its 8% 4/2019 price increase 82% and Chesapeake Energy Corporation saw its 4.875% 4/2022 price rise 69%.

European corporates were quieter, after rallying significantly the previous month. The [Markit iBoxx € Insurance Index](#) returned 1.5% in April, making it the best performing European sector for two consecutive months. Contingent convertible bonds also saw returns recover after a terrible start to 2016, but they remain 3.5% in the red. The best performing euro denominated bond was the Veneto Banca Societa Cooperativa Per Azioni 9.5% 12/2025, which increased 37% in price during the month.

Table 6: April corporate bond US and European iBoxx indices performance

	Total Return						Yield						Duration		
	Month			YTD			Current			Month			\$	€	£
	\$	€	£	\$	€	£	\$	€	£	\$	€	£			
Corporates	+1.32%	+0.35%	+0.69%	+5.11%	+2.78%	+3.65%	3.71%	1.34%	3.62%	-0.16%	-0.04%	-0.05%	6.7	5.2	8.1
Corporates AAA	+0.73%	-0.07%	-0.51%	+5.18%	+3.48%	+6.42%	3.16%	0.96%	2.60%	-0.10%	+0.02%	+0.05%	9.0	7.2	14.3
Corporates AA	+0.69%	-0.06%	+0.39%	+4.14%	+2.76%	+4.14%	3.01%	0.83%	2.94%	-0.09%	+0.01%	-0.05%	6.2	5.5	8.7
Corporates A	+0.93%	+0.14%	+0.51%	+4.34%	+2.44%	+3.52%	3.36%	1.10%	3.53%	-0.09%	-0.01%	-0.03%	6.5	5.2	8.7
Corporates BBB	+1.95%	+0.66%	+0.94%	+6.24%	+3.11%	+3.61%	4.27%	1.75%	3.96%	-0.26%	-0.10%	-0.08%	7.0	5.0	7.2
Banks	+0.75%	+0.26%	+0.36%	+2.71%	+1.45%	+1.66%	3.38%	1.18%	3.68%	-0.10%	+0.01%	-0.02%	4.9	4.3	6.3
Basic Materials	+3.17%	+1.24%	+2.47%	+9.28%	+6.97%	+10.27%	4.37%	1.44%	4.11%	-0.55%	-0.32%	-0.30%	7.1	5.2	7.0
Consumer Goods	+1.01%	+0.22%	+0.38%	+5.37%	+3.22%	+3.71%	3.33%	1.21%	2.84%	-0.09%	+0.04%	-0.02%	6.4	5.7	5.7
Consumer Services	+1.48%	+0.17%	+0.71%	+6.96%	+3.53%	+4.75%	3.80%	1.31%	3.37%	-0.14%	-0.27%	-0.06%	8.4	5.9	9.4
Financials	+0.82%	+0.44%	+0.53%	+3.02%	+1.83%	+1.92%	3.47%	1.45%	3.84%	-0.11%	-0.04%	-0.04%	5.3	4.6	6.9
Health Care	+0.75%	-0.03%	+0.17%	+5.55%	+2.98%	+6.25%	3.42%	1.11%	3.32%	-0.07%	+0.02%	+0.01%	7.8	5.7	12.3
Industrials	+1.19%	+0.19%	+0.54%	+5.51%	+2.88%	+4.81%	3.46%	0.98%	3.25%	-0.12%	-0.06%	-0.03%	7.5	5.0	8.6
Insurance	+1.16%	+1.53%	+1.02%	+3.67%	+2.86%	+0.75%	4.06%	2.86%	4.91%	-0.17%	-0.28%	-0.10%	7.6	6.1	6.8
Non-Financials	+1.61%	+0.27%	+0.79%	+6.31%	+3.50%	+4.80%	3.81%	1.28%	3.52%	-0.19%	-0.04%	-0.05%	7.5	5.5	8.8
Oil & Gas	+3.14%	+0.52%	+0.33%	+7.04%	+4.41%	+2.24%	4.56%	1.60%	3.25%	-0.45%	-0.02%	-0.01%	7.1	5.8	6.6
Technology	+0.79%	-0.12%	N/A	+5.02%	+3.68%	N/A	3.34%	0.97%	N/A	-0.06%	+0.03%	N/A	7.0	7.0	N/A
Telecommunications	+1.42%	+0.10%	+1.42%	+7.51%	+3.30%	+6.03%	4.10%	1.44%	3.67%	-0.14%	-0.00%	-0.13%	8.7	5.9	8.8
Utilities	+1.80%	+0.30%	+0.85%	+6.46%	+3.11%	+4.48%	3.98%	1.32%	3.74%	-0.18%	-0.03%	-0.05%	8.5	5.2	9.6
High Yield Liquid High Yield	+3.36%	+1.93%	+0.85%	+6.79%	+3.60%	+2.88%	6.97%	4.46%	5.94%	-0.66%	-0.52%	-0.14%	3.9	3.5	3.6
Convertible CVBX	+2.84%	+0.81%	+1.29%	-1.95%	-3.48%	+2.76%	0.28%	7.35%	7.62%	-0.82%	-0.08%	-0.13%	5.3	4.1	5.6
Contingent Convertible	+2.04%	+0.81%	+1.29%	-0.15%	-3.48%	+2.76%	7.68%	7.35%	7.62%	-0.32%	-0.08%	-0.13%	4.5	4.1	5.6

Source: Markit

Table 7: April global corporate bond best price performance

Best performers

Ticker	Issue	Sector	Country	CCY	Liq score	4/29 price	Change	% change	One year low	Date	One year high	Date	
Americas													
1	CALIRES	California Resources Corporation 5.5 9/2021	Energy	USA	USD	1	43.75	+21.25	+94.4%	9.25	2/10/16	96.37	5/14/15
2	EVEP	Ev Energy Partners, L.P. 8 4/2019	Energy	USA	USD	1	47.00	+21.10	+81.5%	20.00	2/24/16	98.00	5/11/15
3	CHK	Chesapeake Energy Corporation 4.875 4/2022	Energy	USA	USD	1	56.80	+23.24	+69.2%	12.00	2/9/16	96.25	5/21/15
4	SEVENTS	Seventy Seven Energy Inc. 6.625 11/2019	Energy	USA	USD	1	40.96	+16.01	+64.2%	9.98	2/15/16	87.30	5/6/15
5	ALTAMES	Alta Mesa Holdings, Lp 9.625 10/2018	Energy	USA	USD	1	43.50	+16.00	+58.2%	15.00	2/19/16	87.00	5/14/15
EMEA													
1	VENBAN	Veneto Banca Societa Cooperativa Per Azioni 9.5 12/2025	Financials	ITA	EUR	2	93.42	+25.42	+37.4%	68.00	3/31/16	93.42	4/29/16
2	ALGESCO	Algeco Scotsman Global Finance Plc 10.75 10/2019	Industrials	GBR	USD	1	37.27	+7.77	+26.3%	19.83	2/15/16	83.37	5/15/15
3	FIRQU	First Quantum Minerals Ltd. 6.75 2/2020	Basic Materials	ZMB	USD	1	83.25	+14.75	+21.5%	42.31	1/21/16	99.00	5/25/15
4	NAVMMH	Navios Maritime Holdings Inc. 7.375 1/2022	Industrials	GRC	USD	1	40.40	+5.90	+17.1%	32.06	2/29/16	92.50	5/6/15
5	INTSAT-Lux	Intelsat (Luxembourg) S.A. 7.75 6/2021	Telecom Services	LUX	USD	1	33.50	+3.93	+13.3%	22.50	2/24/16	92.67	5/19/15
APAC													
1	MIEHOL	Mie Holdings Corporation 6.875 2/2018	Energy	CHN	USD	1	76.30	+27.49	+56.3%	32.00	1/26/16	86.00	6/4/15
2	ANTOOIL	Anton Oilfield Services Group 7.5 11/2018	Energy	CHN	USD	1	64.20	+19.72	+44.3%	26.50	1/21/16	75.00	6/26/15
3	HOC	Harvest Operations Corp. 6.875 10/2017	Energy	KOR	USD	1	85.38	+24.62	+40.5%	59.50	3/15/16	94.00	6/16/15
4	VDR	Vedanta Resources Plc 8.25 6/2021	Basic Materials	IND	USD	1	80.00	+20.44	+34.3%	44.00	1/18/16	103.00	6/25/15
5	BCPSIN	Bcp (Singapore) Vi Cayman Financing Co. Ltd. 8 4/2021	Technology	CHN	USD	1	80.00	+13.75	+20.8%	65.75	3/22/16	101.13	5/28/15

Source: Markit

Table 8: April global corporate bond worst price performance

Worst performers

Ticker	Issue	Sector	Country	CCY	Liq score	4/29 price	Change	% change	One year low	Date	One year high	Date
Americas												
1 ODEBOFF	Odebrecht Offshore Drilling Finance Limited 6.75 10/2022	Energy	BRA	USD	1	14.00	-9.51	-40.5%	14.00	4/29/16	91.63	5/26/15
2 AV	Avaya Inc. 10.5 3/2021	Technology	USA	USD	2	20.25	-10.50	-34.1%	20.25	4/29/16	88.40	5/8/15
3 GOLLUX	Gol Luxco S.A. 8.875 1/2022	Industrials	BRA	USD	1	24.75	-9.25	-27.2%	24.30	4/26/16	85.50	7/23/15
4 NINEWES	Nine West Holdings, Inc. 8.25 3/2019	Consumer Goods	USA	USD	2	23.75	-4.25	-15.2%	20.00	2/12/16	83.75	5/8/15
5 QGOGCON	Qgog Constellation S.A. 6.25 11/2019	Energy	BRA	USD	2	51.50	-5.92	-10.3%	34.97	2/2/16	81.25	5/29/15
EMEA												
1 GRUPOIS	Grupo Isolux Corsan Finance B.V. 6.625 4/2021	Industrials	ESP	EUR	2	14.50	-14.50	-50.0%	14.50	4/29/16	86.00	5/12/15
2 VENBAN	Veneto Banca Societa Cooperativa Per Azioni 6.411 12/2099	Financials	ITA	EUR	3	42.38	-12.62	-22.9%	41.62	4/18/16	88.00	7/27/15
3 RTGRP-Fin	Network Rail Infrastructure Finance Plc 1.125 11/2047	Industrials	GBR	GBP	3	155.60	-14.85	-8.7%	152.56	11/10/15	173.65	2/12/16
4 CMACGM	Cma Cgm 7.75 1/2021	Industrials	FRA	EUR	2	77.13	-4.82	-5.9%	73.24	4/12/16	103.75	7/20/15
5 BACR-Bank	Barclays Bank Plc 3/2038	Financials	GBR	GBP	3	56.00	-3.00	-5.1%	52.00	10/5/15	64.88	1/18/16
APAC												
1 SWIBHOL	Swiber Holdings Ltd 7.125 04/2017	Energy	SGP	SGD	3	60.00	-28.00	-31.8%	50.00	1/21/16	88.00	3/31/16
2 NAMCHE	Nam Cheong Limited 5.05 08/2019	Industrials	MYS	SGD	3	69.50	-10.50	-13.1%	69.00	4/21/16	97.45	3/23/16
3 BOHAGEN	Bohai General Capital Ltd 6.4 10/2017	Basic Materials	CHN	CNY	2	70.25	-8.12	-10.4%	66.50	3/22/16	100.38	6/10/15
4 SEAGHDD	Seagate Hdd Cayman 5.75 12/2034	Technology	SGP	USD	2	64.75	-6.25	-8.8%	59.75	2/24/16	72.00	3/29/16
5 CHICIT	China City Construction (International) Co., Limited 5.35 07/2017	Industrials	CHN	CNY	2	88.50	-8.33	-8.6%	88.50	4/29/16	100.50	6/10/15

Source: Markit

Sovereigns

Commodities names continue to tighten

Sovereign bonds had a bit of a setback over April as yields rose from their lows, which saw sovereign bonds in both the US and Europe trade down on the month on a total return basis.

The UK CDS spread also saw a lift over the month as the fears over the country leaving the European Union subsided. This saw the UK spread tighten by 7% over the month as it climbed down from the highs seen earlier in the month.

This setback was mostly driven by developed countries however, as emerging market bonds, especially those issued by commodities exporting countries, continued to forge ahead according to the [Markit iBoxx](#) suite of sovereign bond indices.

This trend was reflected in emerging market CDS spreads, as three commodities exporters found themselves among the five countries seeing the largest tightening over the month (**Table 10**). Russia led the way as its CDS spread tightened by over 30bps to hit new yearly lows. Brazil and Venezuelan CDS spreads also managed to tighten despite rising political tension in both countries.

Japan continues to tighten despite economic woes

Japanese bonds continue to defy the country's stalling growth figures releases during the month. The April reading of the [Nikkei Flash Japan Manufacturing PMI](#) indicated a contraction in output, but investors have shown few signs of reacting to the downbeat numbers as the country's CDS spread tightened by a fifth over the month to 36bps. This places the country's credit risk to within 2bps of the 12 month lows reported in August of last year.

This bullish mood also reflected well for holders of the country's bonds, as the long dated 2055 saw its price surge by over 7% over the month (**Table 11**). This trend is also driven in part by investors looking to benefit from the country's quantitative easing program which has sent Japanese sovereign bond yields to all-time low levels.

Table 9: April G7 industrialised countries ranked by percent change in CDS spreads

			4/29 10yr bond yield	CDS change	4/29 CDS	% change	One year tight	Date	One year wide	Date
1	JAPAN	Japan	-0.08%	-10.2	36.0	-22.1%	34.0	8/18/15	56.1	2/12/16
2	UKIN	United Kingdom	1.60%	-2.6	35.8	-6.8%	15.2	9/30/15	42.6	4/13/16
3	USGB	United States	1.82%	-1.2	19.0	-6.0%	14.3	9/18/15	22.4	11/3/15
4	ITALY	Italy	1.50%	-2.0	125.5	-1.6%	91.6	12/9/15	156.8	2/11/16
5	DBR	Germany	0.27%	-0.3	18.7	-1.5%	12.6	12/24/15	24.0	2/25/16
6	CAN	Canada	1.51%	-0.4	26.0	-1.5%	19.1	5/1/15	26.9	3/16/16
7	FRTR	France	0.63%	+5.8	38.2	+18.0%	25.7	12/24/15	41.8	2/11/16

Source: Markit

Table 10: April liquid sovereign 5yr CDS best and worst spread performance²

			Liq Score	Change	4/29 spread	% change	One year tight	Date	One year wide	Date
Best Performers										
1	JAPAN	Japan	2	+36	-10	-22.1%	34	8/18/15	56	2/12/16
2	RUSSIA	Russia	1	+243	-36	-12.9%	242	4/21/16	447	8/24/15
3	VENZ	Venezuela	1	+5344	-583	-9.8%	3395	5/8/15	10686	2/15/16
4	BRAZIL	Brazil	1	+329	-27	-7.6%	219	5/21/15	533	9/28/15
5	UKIN	United Kingdom	2	+36	-3	-6.8%	15	9/30/15	43	4/13/16
6	TURKEY	Turkey	1	+237	-13	-5.2%	200	5/25/15	323	9/29/15
7	PERU	Peru	1	+151	-8	-5.0%	128	5/8/15	230	2/11/16
8	THAI	Thailand	1	+124	-6	-4.8%	98	7/17/15	172	9/29/15
9	SOAF	South Africa	1	+280	-14	-4.7%	197	5/25/15	387	1/20/16
10	INDON	Indonesia	1	+188	-7	-3.8%	159	5/22/15	274	9/29/15
Worst Performers										
1	FRTR	France	2	+38	6	+18.0%	26	12/24/15	42	2/11/16
2	MALAYS	Malaysia	1	+163	11	+7.0%	110	5/26/15	238	9/29/15
3	CHINA	China	1	+127	7	+6.0%	85	5/26/15	148	2/11/16
4	CHILE	Chile	1	+98	4	+4.7%	78	6/18/15	153	9/29/15
5	AUSTLA	Australia	1	+38	2	+4.2%	31	6/26/15	56	2/11/16
6	COLOM	Colombia	1	+217	5	+2.5%	138	5/8/15	325	2/11/16
7	BELG	Belgium	2	+50	1	+1.3%	33	1/4/16	51	3/21/16
8	MEX	Mexico	1	+161	2	+1.0%	112	5/25/15	231	2/11/16
9	PANAMA	Panama	1	+159	1	+0.9%	132	7/14/15	225	2/11/16
10	PHILIP	Philippines	1	+106	1	+0.8%	85	5/26/15	143	9/29/15

Source: Markit

Table 11: April sovereign bond best price performance

Best performers

Ticker	Issue	CCY	Liq score	4/29 price	Change	% change	4/29 yield	One year low	Date	One year high	Date	
Americas												
1	BRAZIL	Federative Republic Of Brazil 10.25 1/2028	USD	2	90.80	+11.80	+14.9%	13.92%	75.00	9/25/15	111.00	5/12/15
2	VENZ	Bolivarian Republic Of Venezuela 7 12/2018	USD	1	44.72	+4.33	+10.7%	49.71%	31.57	2/15/16	52.20	5/8/15
3	BLZE	Belize 5 2/2038	USD	3	51.80	+4.30	+9.1%	14.36%	46.50	4/7/16	76.00	6/24/15
4	PERU	Republic Of Peru 6.9 8/2037	PEN	4	101.67	+6.70	+7.1%	7.37%	87.41	2/1/16	102.05	5/4/15
5	ECUA	Republic Of Ecuador 7.95 6/2024	USD	2	86.95	+4.91	+6.0%	11.37%	62.42	1/18/16	99.75	5/11/15
EMEA												
1	ANGOLA	Republic Of Angola 9.5 11/2025	USD	1	97.88	+6.78	+7.4%	11.02%	78.71	2/11/16	100.25	11/24/15
2	GREP	Gabonese Republic 6.95 6/2025	USD	2	87.50	+4.55	+5.5%	9.80%	68.75	1/20/16	100.75	6/29/15
3	RUSSIA	Russian Federation 5.875 9/2043	USD	2	108.25	+5.07	+4.9%	5.65%	87.50	8/24/15	108.25	4/29/16
4	CMRN	Republic Of Cameroon 9.5 11/2025	USD	2	97.93	+3.97	+4.2%	7.88%	81.00	1/18/16	98.46	4/19/16
5	TURKEY	Republic Of Turkey 8 3/2025	TRY	1	93.62	+3.67	+4.1%	9.71%	82.82	1/12/16	94.96	5/15/15
APAC												
1	JAPAN	Japan 1.4 3/2055	JPY	1	135.69	+9.02	+7.1%	0.63%	92.25	6/8/15	138.80	4/21/16
2	INDON	Republic Of Indonesia 6.1 2/2037	IDR	4	81.81	+4.75	+6.2%	8.46%	65.75	9/30/15	82.83	4/19/16
3	THAI	Kingdom Of Thailand 4.675 6/2044	THB	4	145.33	+7.92	+5.8%	2.76%	113.57	6/12/15	152.32	4/6/16
4	KAZAKS	Republic Of Kazakhstan 6.5 7/2045	USD	2	109.68	+5.61	+5.4%	6.20%	91.75	8/24/15	109.68	4/29/16
5	SRILAN	Democratic Socialist Republic Of Sri Lanka 11 6/2026	LKR	5	90.63	+3.29	+3.8%	13.30%	86.14	4/8/16	98.95	3/24/16

Source: Markit

Table 12: April sovereign bond worst price performance

Worst performers

Ticker	Issue	CCY	Liq score	4/29 price	Change	% change	4/29 yield	One year low	Date	One year high	Date
Americas											
1 MEX	United Mexican States 8.125 12/2019	USD	2	120.70	-2.80	-2.3%	1.63%	120.70	4/29/16	131.00	7/3/15
2 CAN	Canada 2.75 12/2064	CAD	1	121.44	-2.47	-2.0%	1.98%	108.36	6/10/15	130.93	2/10/16
3 MEX	United Mexican States 8 9/2022	USD	2	129.41	-2.59	-2.0%	2.60%	124.67	1/4/16	133.00	5/5/15
4 BRAZIL	Federative Republic Of Brazil 6 8/2026	BRL	5	2739.74	-40.47	-1.5%		2689.03	3/18/16	2827.62	3/23/16
5 TRITOB	Republic Of Trinidad And Tobago 4.375 1/2024	USD	2	102.75	-1.25	-1.2%	3.78%	101.50	2/29/16	109.25	8/11/15
EMEA											
1 TURKEY	Republic Of Turkey 6.625 2/2045	USD	2	108.05	-11.09	-9.3%	5.32%	105.25	9/29/15	122.01	4/20/16
2 AUST	Republic Of Austria 3.8 1/2062	EUR	2	170.93	-15.37	-8.3%	1.29%	151.15	7/2/15	194.02	5/1/15
3 FRTR	French Republic 4 4/2060	EUR	1	162.88	-13.76	-7.8%	1.57%	141.71	7/2/15	181.55	5/1/15
4 BELG	Kingdom Of Belgium 1.6 6/2047	EUR	1	95.26	-7.29	-7.1%	1.50%	94.85	4/27/16	104.40	4/5/16
5 UKIN	United Kingdom Of Great Britain And Northern Ireland .125 3/2068	GBP	2	170.12	-11.49	-6.3%		153.64	6/4/15	185.71	3/23/16
APAC											
1 PHILIP	Republic Of The Philippines 8.125 12/2035	PHP	3	133.49	-11.58	-8.0%	4.62%	130.02	1/18/16	149.96	10/5/15
2 AUSTLA	Commonwealth Of Australia 1.25 8/2040	AUD	4	103.60	-3.72	-3.5%		100.25	11/13/15	107.55	10/16/15
3 SIGB	Republic Of Singapore 2.75 4/2042	SGD	2	103.66	-2.59	-2.4%	2.42%	92.87	9/10/15	106.37	4/1/16
4 THAI	Kingdom Of Thailand 4.875 6/2029	THB	1	132.27	-1.50	-1.1%	1.96%	116.13	6/29/15	137.56	4/6/16
5 PAKIS	Islamic Republic Of Pakistan 8.25 9/2025	USD	2	105.31	-.93	-0.9%	7.33%	98.48	2/11/16	107.50	10/27/15

Source: Markit

Municipal bonds

This year's revenue bond issuance is 15.8% lower versus the same time last year, while GO issuance remains 3.1% lower. April's revenue bond issuance of \$19.1bn was \$4.5bn lower than the same month last year (**Figure 6**), with \$69.1bn issued YTD. General obligation bond issuance is a relatively strong \$59.7bn YTD, despite April's \$14.2bn total being \$1.8bn lower than the same month last year.

Q1 2016 recorded the highest quarterly inflow (+\$1.8bn) into municipal bond ETFs (**Figure 7**). April reported a \$587m inflow, starting off Q2 strong, but at a slightly slower pace than last quarter.

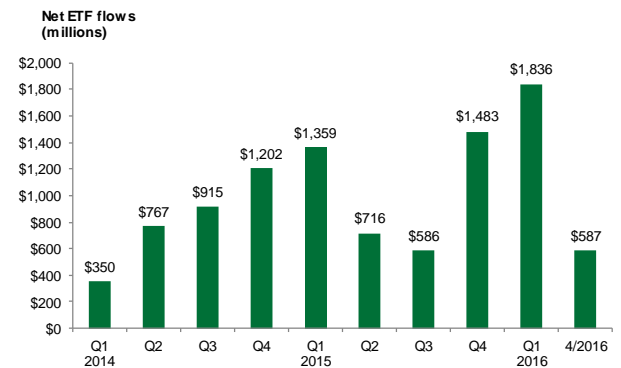
Puerto Rico suspends transfer of toll road revenue to PRHTA bond holders

On May 18th, Puerto Rico Governor Alejandro García Padilla suspended the transfer of toll road revenue to bond holders for the Puerto Rico Highway and Transportation Authority (PRHTA) issues after declaring a state of emergency for the entity. The suspended payments make PRHTA the largest municipal bond technical default in US history according to The Bond Buyer³.

US House of Representatives agrees on Puerto Rico restructuring legislation

US legislators proposed a revised version of the Puerto Rico Oversight, Management and Economic Stability Act on May 19th. The bill appears to have bipartisan support and would allow the commonwealth to restructure its debt. The other key aspects of the bill are that it will exclude the island from recent increases in Federal minimum wage and will not include any form of a governmental bailout.

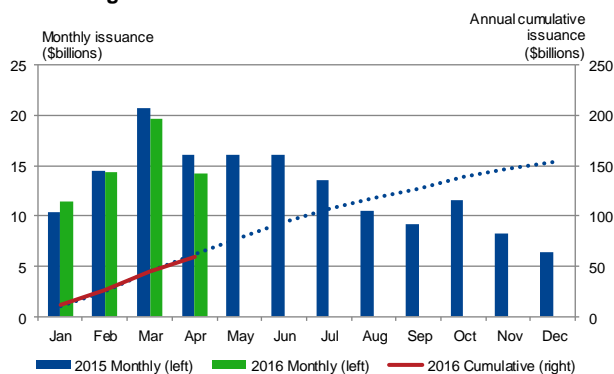
Figure 7: Municipal bond ETF flows



Source: Markit

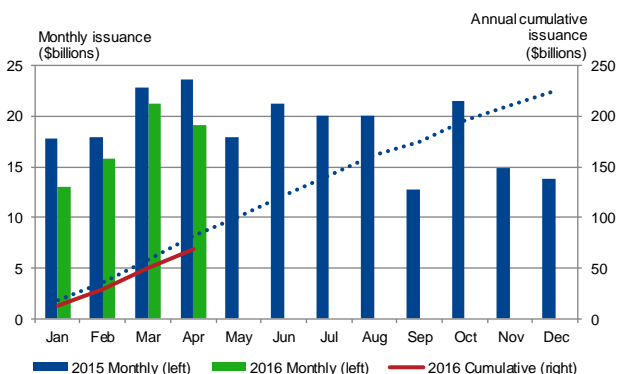
Figure 6: Municipal bond issuance

General obligation



Source: SIFMA

Revenue



³ Source: The Bond Buyer article, "Puerto Rico Sets Default Record With HTA Bond Action" by Robert Slavin, published on May 18th, 2016.

Table 13: April municipal revenue bond best price performance

Best performers

	Issuer	Issue	Liq score	4/29 price	Change	% change	One year low	Date	One year high	Date
1	Indiana St Fin Auth Environmental Rev	Environmental Improvement R - United States Steel Corporation 20 6 12/2026	2	90.21	+7.03	+8.4%	55.00	2/19/16	110.09	4/24/15
2	Dallas Fort Worth Tex Intl Arpt Rev	Joint Revenue Ref - Dallas/Fort Worth International Airport 2012 5 11/2045	2	113.55	+3.10	+2.8%	107.45	6/3/15	111.40	2/11/16
3	Long Beach Calif Bd Fin Auth Nat Gas Pur Rev	Natural Gas Purpose Revenue - 2007-A 5.5 11/2030	2	128.89	+3.03	+2.4%	114.01	6/18/15	126.52	2/8/16
4	Gainesville Fla Utils Sys Rev	Utilities System Revenue - 2014-B 5 10/2029	2	123.89	+2.80	+2.3%	114.55	5/25/15	123.48	2/11/16
5	Texas Mun Gas Acquisition & Supply Corp I Gas Supply Rev	Senior Lien Gas Supply Revenue - 2008-D 6.25 12/2026	1	126.48	+2.62	+2.1%	118.17	10/12/15	125.39	2/11/16
6	Liberty N Y Dev Corp Rev	Revenue - Goldman Sachs Headquarters Issue 2005 5.25 10/2035	2	127.17	+2.56	+2.1%	112.91	5/20/15	125.05	2/11/16
7	M-S-R Energy Auth Calif Gas Rev	Gas Revenue - 2009-A 6.5 11/2039	2	145.15	+2.76	+1.9%	127.08	5/25/15	144.62	2/11/16
8	California Edl Facs Auth Rev	Revenue - Stanford University 2014 U-6 5 5/2045	1	140.25	+2.36	+1.7%	122.78	5/20/15	140.93	2/11/16
9	New Jersey St Edl Facs Auth Rev	Princeton University Revenue Refunding - 2016-B 5 7/2027	2	130.15	+1.38	+1.1%	127.53	3/11/16	128.93	3/30/16
10	New York Liberty Dev Corp Liberty Rev	Revenue - 3 World Trade Center Project 2014 Class 1 5 11/2044	1	108.45	+1.14	+1.1%	98.86	9/3/15	107.30	3/31/16

Source: Markit

Table 14: April municipal revenue bond worst price performance**Worst performers**

	Issuer	Issue	Liq score	4/29 price	Change	% change	One year low	Date	One year high	Date
1	Puerto Rico Elec Pwr Auth Pwr Rev	Power Revenue - 2007-Tt 5 7/2037	2	59.42	-3.08	-4.9%	50.00	6/30/15	68.00	9/2/15
2	Puerto Rico Sales Tax Fing Corp Sales Tax Rev	Sales Tax Revenue (Cib) - 2007-A 5.25 8/2057	1	59.23	-2.64	-4.3%	55.35	12/30/15	69.84	5/29/15
3	Puerto Rico Comwlth Hwy & Transn Auth Hwy Rev	Highway Revenue Refunding - 2007-Cc 5.5 7/2029	2	58.96	-2.53	-4.1%	60.54	7/3/15	74.56	4/22/15
4	Puerto Rico Comwlth Aqueduct & Swr Auth Rev	Revenue (Senior Lien) - 2008-A 6 7/2038	1	64.99	-2.75	-4.1%	64.68	7/3/15	75.13	7/16/15
5	Metropolitan Pier & Exposition Auth III Rev	Refunding Revenue - McCormick Place Expansion 2012-B 4.25 6/2042	2	98.75	-1.97	-2.0%	88.12	9/10/15	103.21	4/6/15
6	Hamilton Cnty Ohio Health Care Facs Rev	Healthcare Facilities Revenue - The Christ Hospital Project 2012 5 6/2042	2	110.77	-1.87	-1.7%	103.97	6/12/15	113.40	2/10/16
7	Lower Colo Riv Auth Tex Rev	Refunding Revenue - 2010-B 5 5/2019	2	110.89	-1.36	-1.2%	109.85	11/12/15	114.25	4/1/15
8	University Calif Revs	Limited Project Revenue - 2015-I 5 5/2022	2	121.34	-1.29	-1.1%	118.97	6/5/15	123.96	2/11/16
9	Louisiana St Univ & Agric & Mechanical College Brd	Auxiliary Revenue - 2013 5 7/2037	2	113.52	-0.97	-0.8%	108.98	6/10/15	116.28	1/20/16
10	Kentucky St Ppty & Bldgs Commn Revs	Revenue Refunding - Project No. 82 2004 5.25 10/2016	2	101.32	-0.83	-0.8%	101.70	3/25/16	106.86	4/1/15

Source: Markit

Securitised products

Securitized product spreads continued to tighten across most asset classes due to a combination of continued improvement in overall credit spreads, as well as a sharp slowdown in issuance versus last year.

AAA 1.0 US and European CLO remained pretty much flat on the month, while AAA 2.0 US bonds tightened 9bps (**Figure 8**). US 2.0 BBBs CLOs tightened the most for the second consecutive month, 119bps, to end the month at L+539bps. On a somewhat negative note, the first set (four deals) of 2.0 CLOs breached their Par Overcollateralisation tests and diverted interest from the lowest rated tranches.

CMBS spreads were modestly tighter across the credit (**Figure 9**) in April, but still a considerable distance from the tightest levels over the past 12 months, as BBB- spreads are 370bps away from the tightest level reported on 5/4/15. BBB and BBB- spreads were both 25bps tighter on the month, ending the month at swaps +584 and +728 bps, respectively.

Global consumer ABS spreads were mostly tighter in April, with the exception of single-A rated EUR equipment paper, which widened 4bps on the month (**Table 16**). US ABS YTD issuance is generally lower across most sectors and that is one catalyst for spread tightening, but that issuance could potentially increase with issuers looking to take advantage of lower yields if spreads continue to tighten at the current pace.

Agency MBS pay-ups were mostly higher

Specified pool pay-ups were mostly higher in April, with the majority of story types higher across the 3.0%, 3.5%, and 4.0% cohorts (**Table 15**). LLB pools were modestly higher across every coupon stack during the month. We note that mortgage rates hit new lows in April, with Freddie Mac 30-yr fixed rates reaching 3.61% in April.

Non-agency remains strong

Non-agency spreads rallied across collateral and structure in April. Jumbo 2.0 issuance continues to be anaemic at slightly more than 20% of last year's total at the same time period. CRT deals are among the

very few securitized sectors that have surpassed last year's issuance at the same point in time. The lion's share of the Countrywide settlement will likely be paid out as part of the June remittance, with the added payment certainty leading to additional spread tightening for the issuer's bonds.

NY Fed data indicates non-agency dealer holdings decreased \$1.7bn in April to end the month at \$9.1bn. The latest inventory data indicates a further decline to \$8.8bn, which is the lowest total since the more granular data became available in January 2015 and slightly more than half of the peak of \$17.8bn in June 2015.

Figure 8: US and European CLO AAA/BBB spread summary

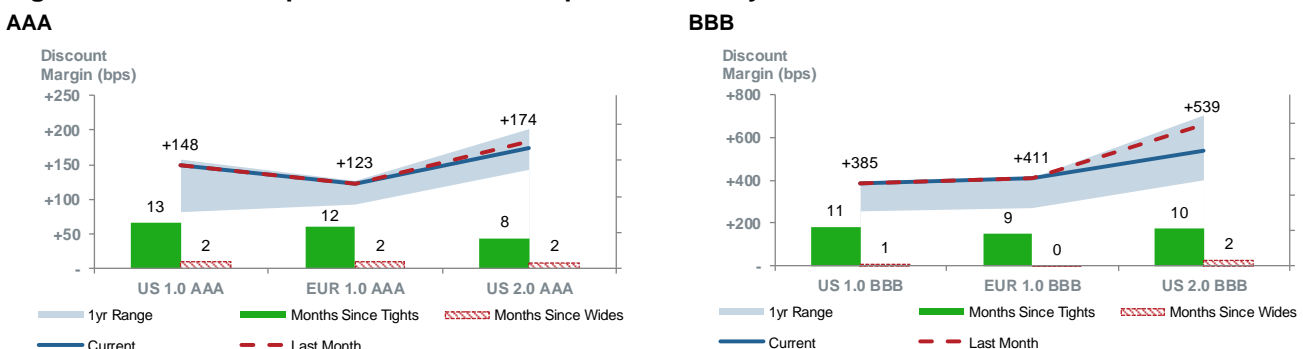
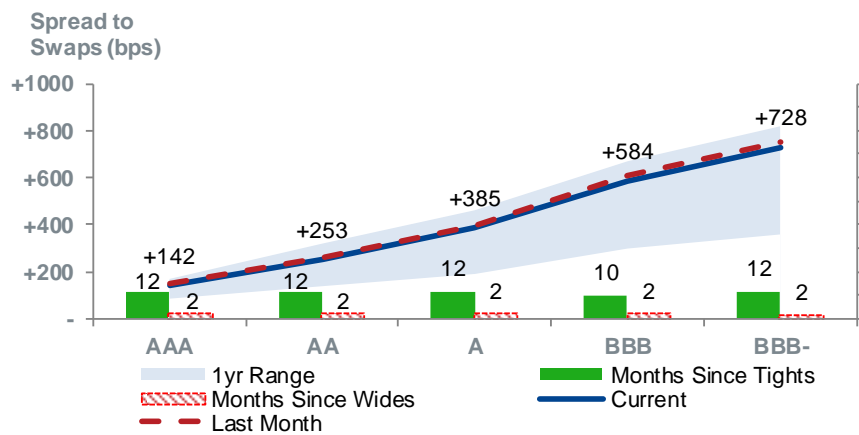


Table 15: Fannie Mae / Freddie Mac 30yr specified pools pay-ups in ticks (1/32 points)

Coupon	April 2016						Change vs prior month					
	3	3.5	4	4.5	5	5.5	3	3.5	4	4.5	5	5.5
LLB (85K)	0-15	0-29	1-18	2-05	2-26	2-22	+0-02	+0-03	+0-08	+0-01	+0-01	+0-11
MLB (110K)	0-12	0-23	1-12	1-31	1-27	2-17	+0-02	+0-04	+0-04	-0-01	-0-02	0-00
HLB (150K)	0-08	0-17	0-30	1-13	1-01	0-30	+0-01	+0-04	+0-04	-0-01	+0-12	-0-03
New Prod	0-01	0-03	0-07	0-10	0-18	0-00	-0-01	-0-04	+0-01	+0-01	0-00	0-00
Low FICO	0-05	0-04	0-06	0-15	0-17	0-26	+0-01	+0-02	+0-05	-0-04	+0-05	0-00
Investor	0-08	0-03	0-07	0-09	0-15	1-10	+0-01	+0-02	0-00	0-00	+0-02	0-00
MHA <90	0-02	0-03	0-08	0-12	0-21	2-03	+0-01	-0-01	+0-01	+0-04	+0-03	0-00
MHA <95	0-15	0-05	0-12	0-13	0-21	0-19	0-00	+0-04	0-00	+0-03	-0-01	0-00
MHA <100	0-10	0-03	0-10	0-21	0-23	0-25	-0-03	+0-03	+0-03	+0-03	0-00	0-00
MHA <105	0-16	0-06	0-11	0-14	0-27	2-05	+0-04	+0-06	+0-03	-0-05	-0-04	0-00
<125 LTV	0-03	0-09	0-27	1-17	2-10	2-02	-0-01	+0-03	+0-01	-0-03	0-00	0-00
125+ LTV	0-29	0-09	0-24	2-01	2-09	3-07	+0-03	+0-05	+0-06	0-00	0-00	0-00

Source: Markit

Figure 9: CMBS credit curve spread to swaps



Source: Trepp

Table 16: Global consumer ABS spread summary

	Current (bps)	MoM change (bps)	1yr tight	Date	1yr wide	Date
US Credit Cards - Fixed-Rate						
2-3yr AAA US Swaps	+57	-	+24	5/8/15	+58	3/11/16
4-5yr AAA US Swaps	+65	-2	+36	5/8/15	+71	4/18/16
US Credit Card - Floating-Rate						
2-3yr AAA US LIBOR DM	+40	-	+25	5/13/15	+40	3/16/16
4-5yr AAA US LIBOR DM	+80	-	+38	5/8/15	+84	3/2/16
European Credit Card - Floating-Rate						
AAA EUR LIBOR DM	+34	-4	+32	1/6/16	+60	2/1/16
US Prime Auto - Fixed-Rate						
0-2yr AAA EDSF	+44	-1	+19	5/13/15	+45	3/29/16
2+-yr AAA US Swaps	+59	-1	+26	5/11/15	+60	3/29/16
European Prime Auto Loan - Floating-Rate						
AAA EUR LIBOR DM	+47	-3	+26	6/3/15	+54	2/5/16
US Subprime Auto - Fixed-Rate						
1-2-yr AAA EDSF	+81	-1	+45	7/21/15	+84	3/18/16
2+yr AAA US Swaps	+94	-1	+48	6/15/15	+97	11/5/15
US Equipment - Fixed-Rate						
2+yr AAA US Swaps	+79	-4	+43	6/17/15	+83	3/30/16
European Equipment - Floating-Rate						
A EUR LIBOR DM	+131	+4	+115	6/10/15	+182	6/30/15
US FFELP Student Loans - Floating-Rate						
2-4yr AAA 3mo US LIBOR DM	+139	-5	+44	5/5/15	+151	3/25/16
10+yr AAA 3mo US LIBOR DM	+183	-3	+93	5/11/15	+191	3/21/16

Source: Markit

Chris Fenske
Co-head of fixed income
pricing research
+1 212-205-7142
chris.fenske@markit.com

Gavan Nolan
Co-head of fixed income
pricing research
+44 207-260-2232
gavan.nolan@markit.com

Simon Colvin
Analyst
+44 207-264-7614
simon.colvin@markit.com

Neil Mehta
Analyst
+44 207-260-2298
neil.mehta@markit.com

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