

The background of the slide features a geometric pattern of overlapping triangles in various shades of teal and blue. A solid blue horizontal band is positioned in the lower half of the image, serving as a background for the text.

2016 AFME High Yield Conference

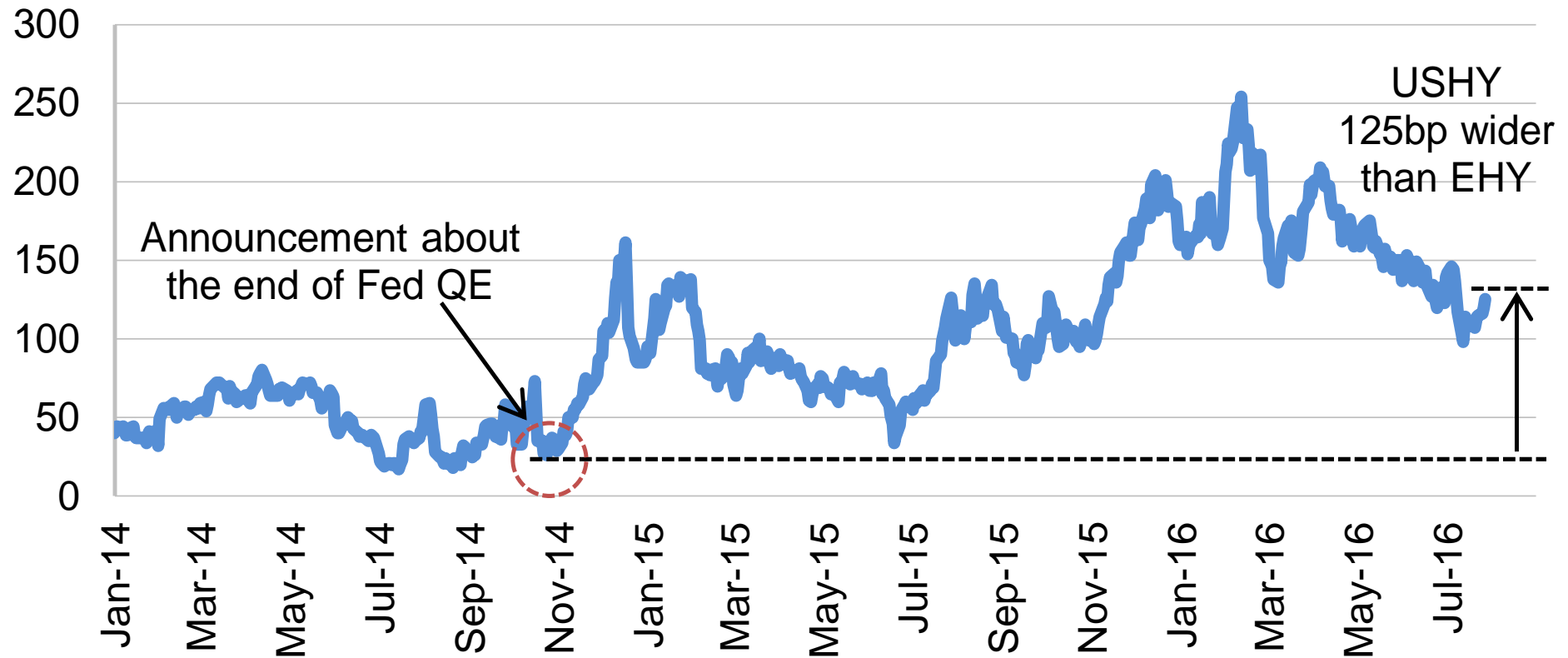
Strategists Panel

Did EHY de-couple from USHY?

USHY Tighter vs EHY on Lower Rate Rise Expectations

Spread Differential: USHY vs. EHY

(bp)

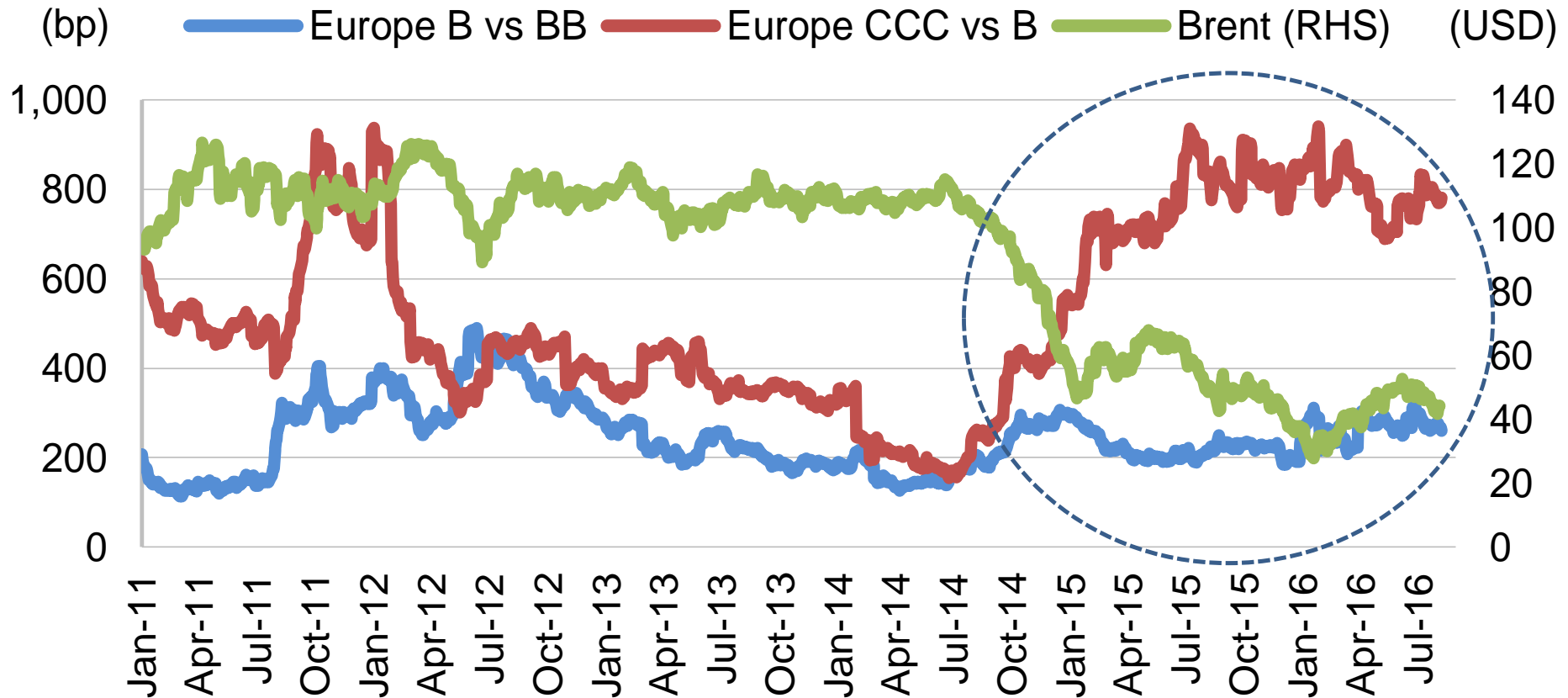


Source: Bank of America Merrill Lynch, Fitch

Does the US\$ or Oil Drive Relative Spread Performance?

Riskiest EHY Credit Correlated with Oil, US Dollar

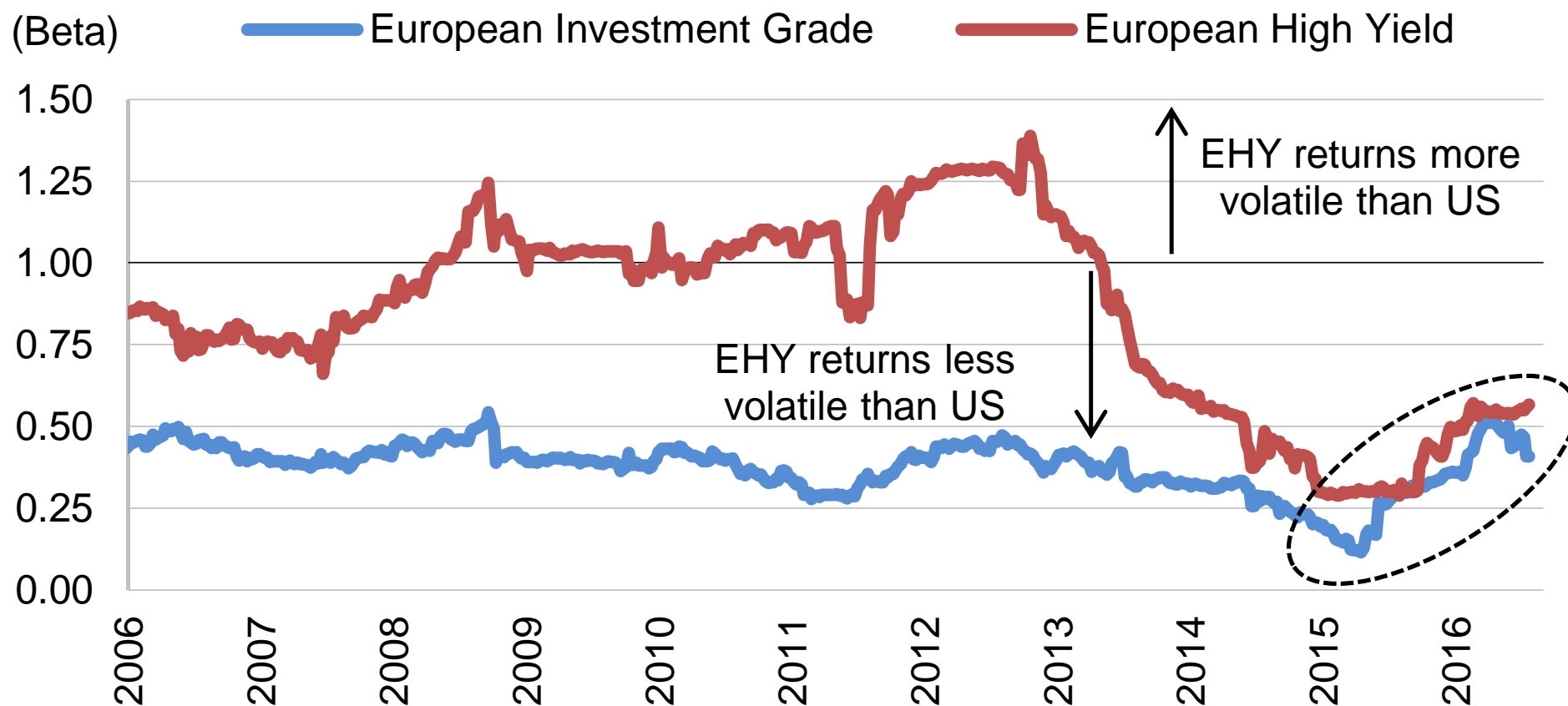
Spread by Rating



Source: Fitch, Bank of America Merrill Lynch, Bloomberg

US-Europe Returns Volatility Coupling Rising from 2015 Low

Beta of European Corp vs US Corp, 12-month rolling, based on weekly total returns

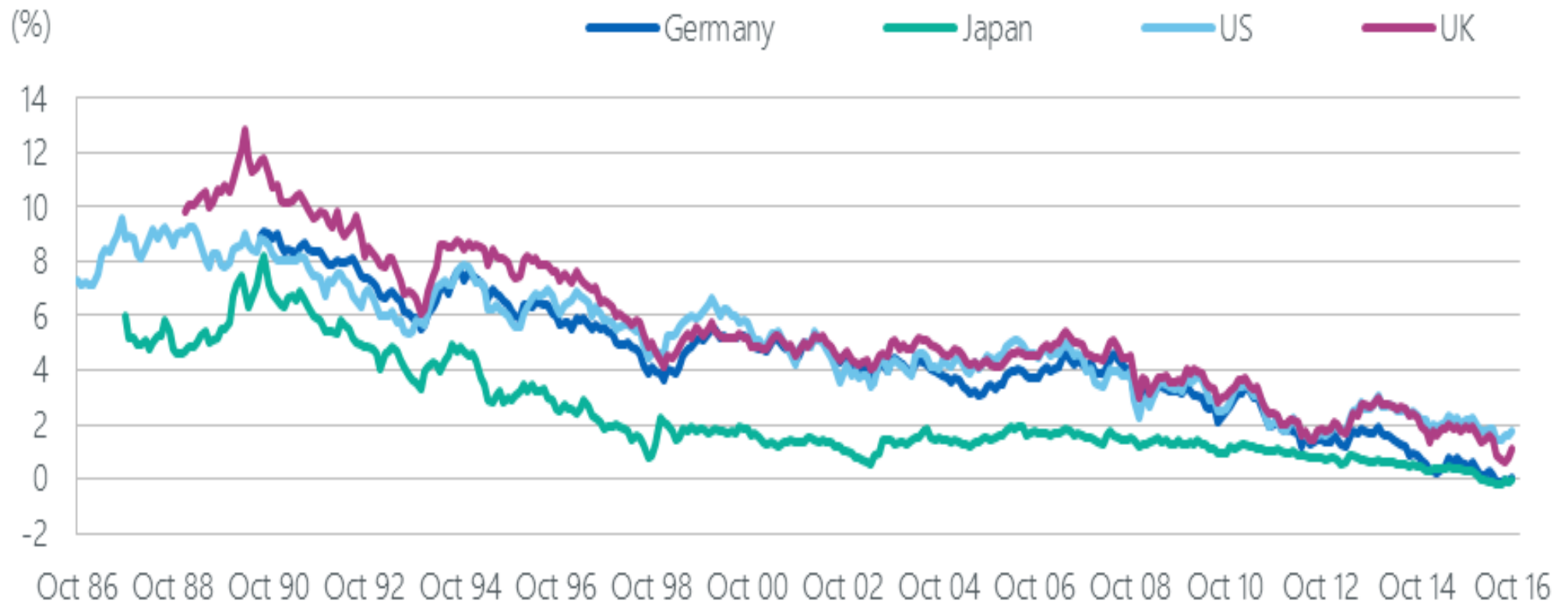


Source: Fitch, Bloomberg

Global 10 Year Bonds

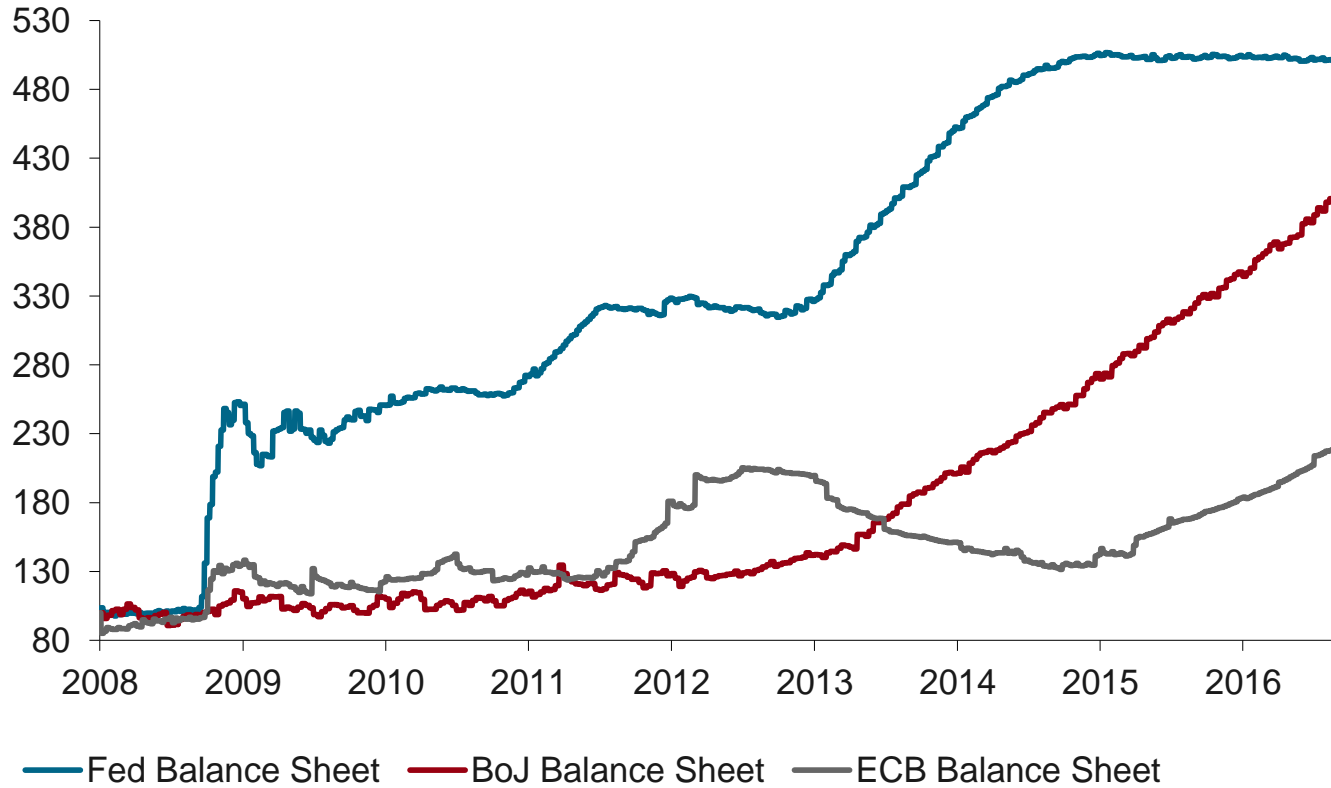
Major Sovereign Benchmark Yields

Germany, Japan, US, UK



Source: Fitch, Bloomberg

Financial repression



Quantitative easing?
Yield targets?
Helicopter money?

Rather than secular stagnation,
we see secular strangulation

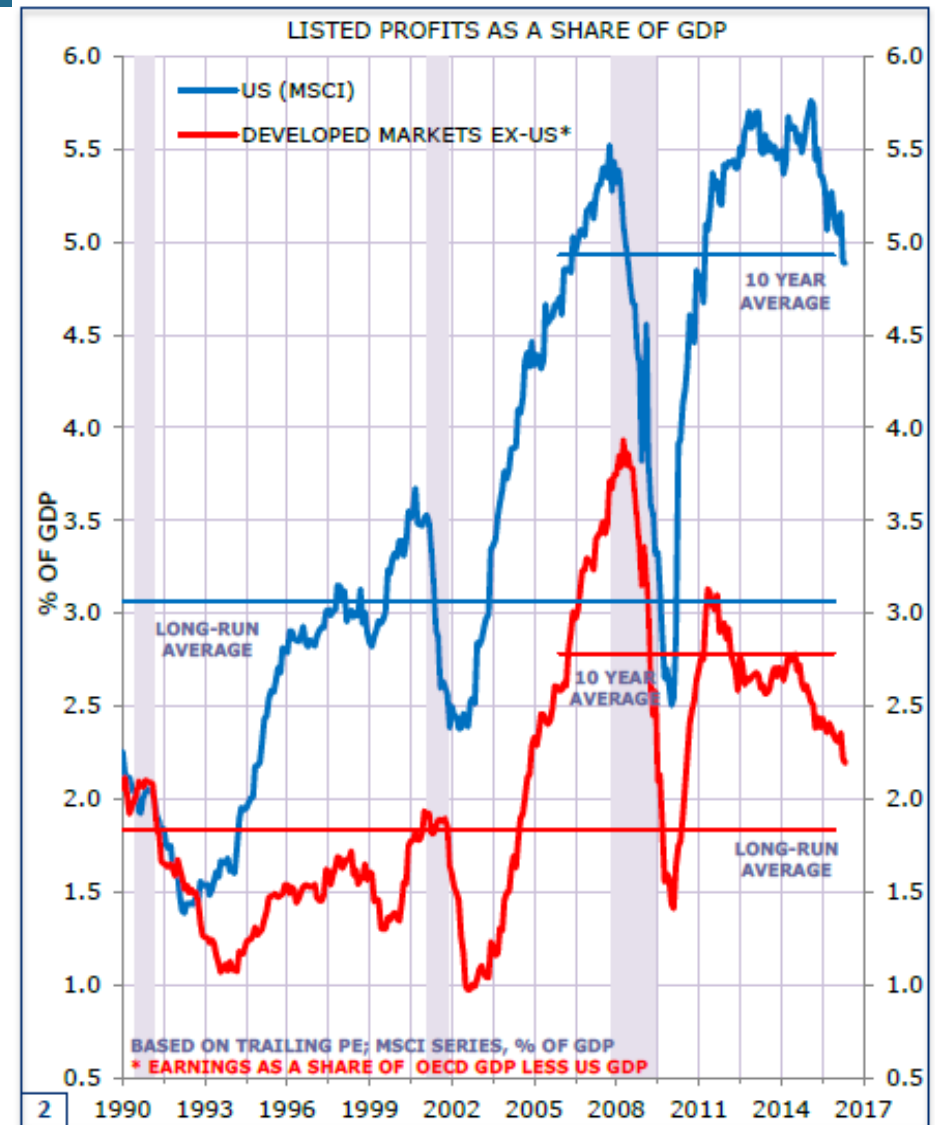
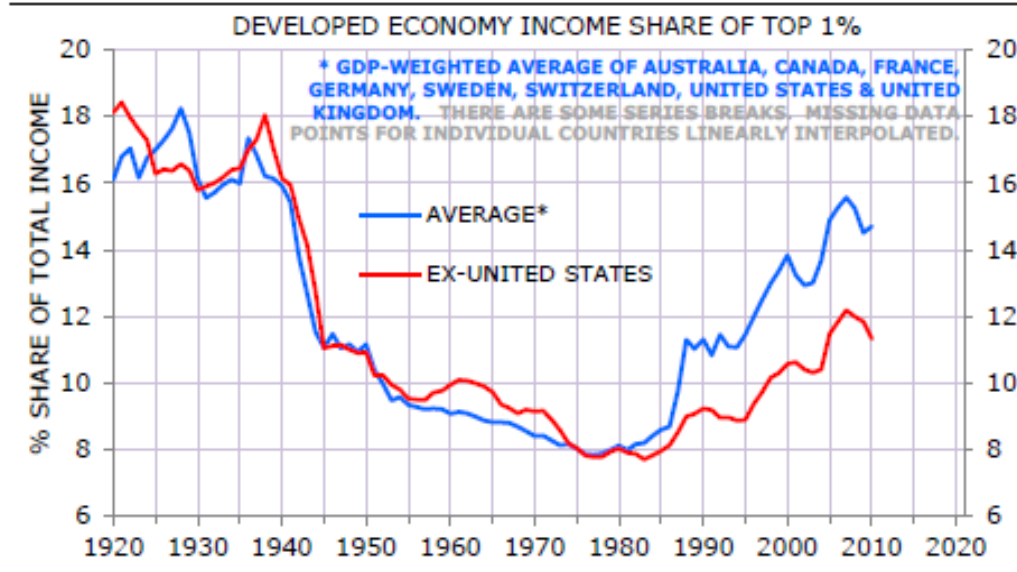
Source: Bloomberg LP, balance sheet indices rebased to 100

Profits peaking

Corporate profit share is very high

- Labour has been squeezed
- Brexit suggests a revolt

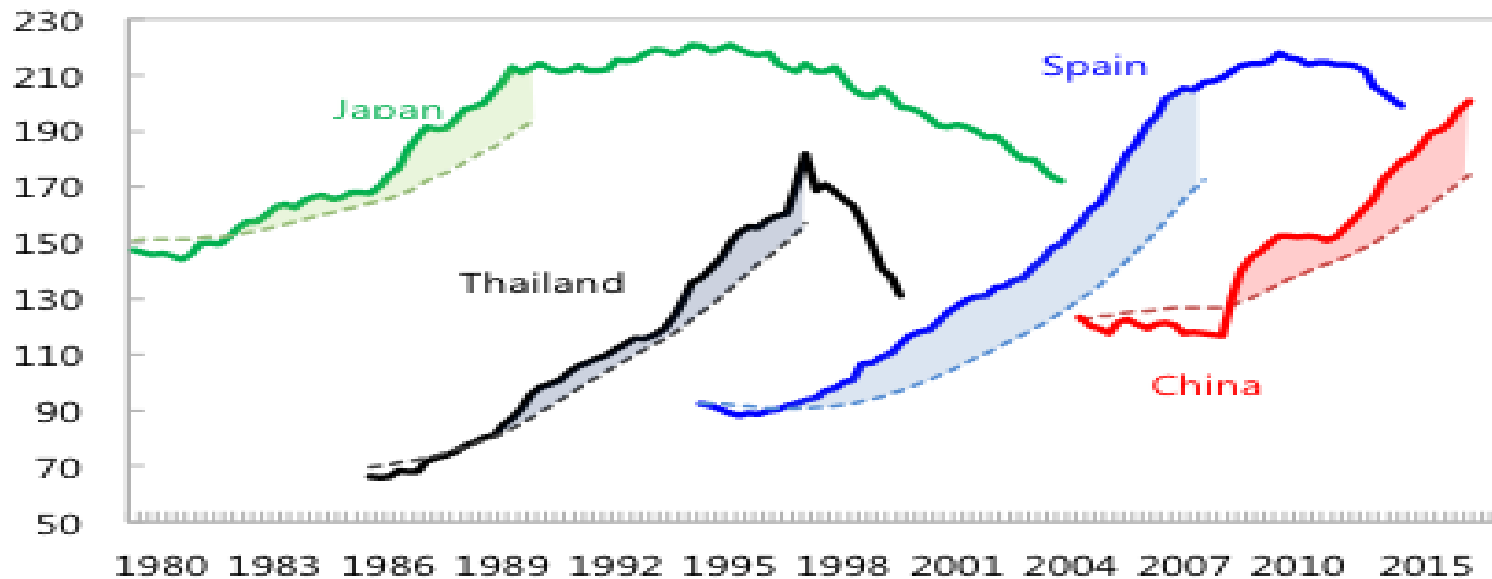
Corporate health should now deteriorate



The IMF Suggests China Approaching it's Debt Capacity Limit

High Credit Growth and Credit Gap

(In percent of GDP)



1/ Dot lines represent the credit trend.
Sources: BIS; and IMF staff calculations.

Source: IMF Global Stability Report, October 2016