PGIM FIXED INCOME

Credit Value Emerges with Virus Headlines

WEEKLY VIEW FROM THE DESK | November 29, 2021

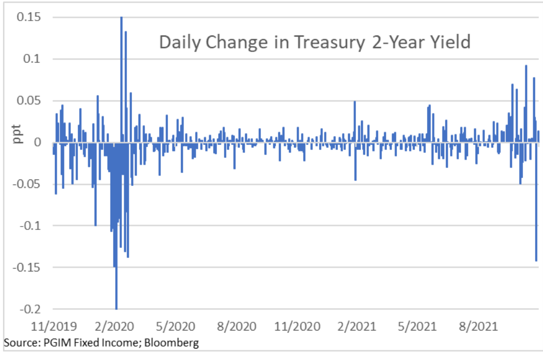
QUICK LINK TO THE RETURNS TABLE

MACRO

- It was a rollercoaster holiday week in the U.S. as thoughts initially turned to whether an announcement of faster tapering at the FOMC meeting on Dec. 15-16 was becoming a tangible possibility. Several key Fed officials changed their tunes in support of an accelerated tapering schedule, which was corroborated by in the minutes of the November FOMC meeting.
- Yet, news of the Omicron variant diminished the possibility of such an announcement from the Fed, although we believe it remains a close call. The new variant, along with an expected seasonal upturn in COVID cases, adds notable uncertainty to the near-term outlook. As energy use increases during the winter, the recent increase in commodity prices will likely diminish consumers' savings and purchasing power. Given our long-held belief that economic growth will moderate in 2022 as the era of unprecedented cash giveaways to households fades, the Fed faces the risk of a policy error by raising rates just as the economy and inflation start to cool.
- That said, we are closely monitoring the progress of the Build Back Better Act, which passed the House earlier this month and is now being negotiated at the Senate. Elements in the House proposal, such as the extension of the child tax credit, have the potential to fuel further gains in consumer prices and could pull forward our forecasts on the Fed's tightening path. Overall, still see the Fed taking a cautious approach and waiting until 2023 to begin raising interest rates.
- The debt ceiling is another item on Congress' legislative agenda. The House must avoid a partial government shutdown this week, while raising the debt ceiling by around Dec. 15, which is when Secretary Yellen warned the U.S. could begin to fail meeting all of its obligations. Yet, Legislators appear ready to kick the can with a proposal for a stopgap funding bill that would end in late January.

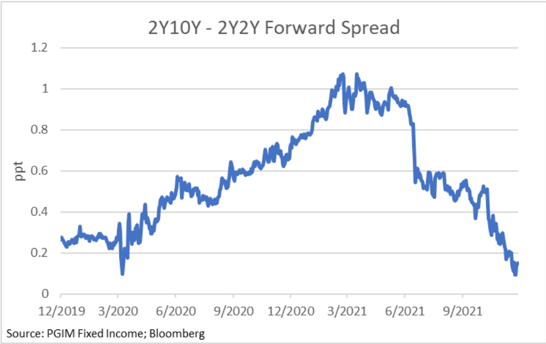
RATES

- Friday's Omicron headlines sent shockwaves across global rate complexes, and the magnitude of the one-day rally in Treasuries was comparable to the early days of the pandemic. We saw a big unwinding in Fed-hiking positions, with sizable reductions in open interest in euro-dollar contracts and other short-term interest-rate instruments. Another eventful week awaits, with month-end rebalancing, debt ceiling concerns, and nonfarm payroll poised to induce volatility. That said, it is an open question whether these events will inevitably fade into the background, superseded by the relentless swings in the pricing of Fed's hiking path.



Source: PGIM Fixed Income; Bloomberg

- The big question at this juncture is the 2- to 10-year curve. We recently reduced our 2-year short positions as we believe the bulk of the flattening has already occurred. This view is especially evident in the striking flatness of the spread between 2y2y and 2y10y forwards, which suggests there is very limited room for the flattener after accounting for carry. Meanwhile, the risk for the 2-year yield is skewed to the downside given some aggressive rate hike expectations with some dealers predicting up to three hikes next year.
- If we take macro considerations out of the equation and purely consider value, the standout continues to be seven-year Treasuries as they are around 21 bps cheaper than the SOFR swap equivalent, compared to the two-year which is around 4 bps richer in that regard. The long end of the Treasury curve offers a similar value proposition, with the US and WN contracts being considerably richer than the 20-year cash bond, which is 45 bps cheaper than swaps.



Source: PGIM Fixed Income; Bloomberg

- Agency MBS spreads were finally wider last week. The widening began early in the week amid speculations of quicker tapering, before the Treasury rally on Friday accelerated the move. MBS did not perform well amid the heightened volatility, but production coupons held up amid the Fed's continued support for the sector. The market is focusing on the new conforming loan limits for 2022, which is widely expected to increase as some originators have already used a higher limit to appeal to potential borrowers.

IG CORPORATES

- Although news of the latest COVID variant was the pressure point for spreads last week, it essentially capped a month of widening, which left spreads at their widest levels since March 25th and wider on the year. While spreads may not quickly ratchet back to the tights of 82 bps, the underperformance of certain sectors—i.e., BBBs and money center banks (a J.P. Morgan benchmark issue is 12 bps wider than it was two weeks ago) leaves us more optimistic on the sector heading into the final month of 2021.

- Only $4.5B priced in the primary last week, but that was complemented by up to $4B in net sales from the broker/dealers, which we believe should leave their inventories in a better position going forward. We anticipate up to $60B could price through year end.
- The tone in Europe was more drastic as spreads moved notably wider on the week, placing them nearly 20 bps wider on the year. The pressure was broad with CSPP eligible paper widening nearly as much as financials and BBBs. The broker/dealer community, which remains long at the front end of the market, also contributed to the pressure as they remained risk adverse throughout and widened bid/ask spreads in an attempt to capitalize on the volatility. While dealers' long positioning combined with the negative rates at the front of the curve may make it challenging for that market segment to tighten meaningly through year end, our short-term view of the asset class has become more constructive given the scale of the selloff.

HIGH YIELD

- U.S. high yield posted negative returns last week as spreads widened 30 bps on Friday amid the broad market selloff and ended the week at an eight-month high. By quality, Bs (-1.14%) outperformed, followed by CCCs (-1.22%) and BBs (-1.27%). All sectors produced negative total returns, with air transportation (-2.18%), energy (-1.83%), and retail (-1.54%) underperforming. The primary market saw no new issuance last week. Meanwhile, high yield bond mutual funds posted a $3.1B outflow, 72% of which was in ETFs.
- U.S. leveraged loans also posted negative returns on recent, heavy issuance and COVID headlines. Issuance moderated as 15 deals priced for a total of $10B in proceeds. Meanwhile, YTD mutual fund inflows topped $32B. In terms of 2022 total return forecasts, JP Morgan, BofA, and Morgan Stanley expect loans to return 4.5%, 5.0%, and 2.1%, respectively. We expect a return of 4-4.25% next year, comprised largely of coupons, along with some limited price upside amid prepayment/refinancing activity.
- In Europe, high yield bonds posted negative returns last week, while loans were stable. YTD, high yield bond spreads are flat to slightly wider and, from a total return perspective, are underperforming loans by a wide margin. While we don't foresee any near-term catalysts for spreads to tighten through year-end and recently reduced our short-term outlook for high yield bonds, we modestly increased our long-term outlook given their underperformance and currently view high yield bonds as more attractive than loans.

EMERGING MARKETS

- Emerging market hard currency sovereigns posted negative returns and spreads widened, with the bulk of the widening taking place on Friday. News of the new COVID variant emerged in the context of extreme market illiquidity and impacted the more vulnerable issuers. Differentiation between credit ratings and issuers remained, with notable underperformers, such as Ukraine, Argentina, El Salvador, Ghana/Gabon, Angola, and Iraq. Following last week's move, we have modestly increased our short-term outlook on hard currency sovereigns. We believe valuations are selectively attractive across the credit spectrum while December has historically been a supportive month for EM. That said, we remain focused on longer-term fundamental challenges. Meanwhile, EM corporates experienced a 15-20 bps selloff on Friday.
- Russia and Ukraine sovereign bonds widened 30 bps and 100 bps, respectively, last week amid reports that Russia had increased troop levels on the border. However, both tightened some late in the week after Russia said it is making preparations for a conversation between President Putin and President Biden.
- EM local debt posted negative returns last week with the yield on the Index rising to another YTD high. While news of the COVID variant triggered a strong move lower in yields of higher-quality countries, such as China, Korea, and Poland, the reaction in higher-beta countries was mixed. Turkey yields rose again, up +136 bps as it continues to pursue an unconventional monetary policy.
- EMFX posted negative returns amid more hawkish rhetoric coming from Fed officials and COVID uncertainty. The Turkish lira, Mexican peso, and Thai baht underperformed. We are looking to reduce our long U.S. dollar in select spots, but continue to believe EMFX will continue to struggle amid Fed tapering concerns and Chinese growth uncertainty.

SECURITIZED PRODUCTS

- U.S. conduit AAA CMBS spreads were 3 bps wider last week amid the macro volatility. Three more conduit deals are expected before year end. We remain constructive on senior, well-enhanced CMBS tranches. U.S. and Euro CLO spreads across the capital structure were generally unchanged last week despite macro volatility. We believe there are over 175 deals currently being marketed globally. U.S. CLO primary spreads for higher quality portfolios are ~3L+112/165/205/310/650 bps for AAA/AA/A/BBB/BBs, respectively for 5-year reinvestment period deals. We continue to favor senior CLO tranches in the long term, while we remain cautious around the value of some junior mezzanine tranches.
- ABS spreads were unchanged last week as new issuance reached $258B YTD, 15% ahead of 2019's pace and well ahead of 2020. While the issuance supply is expected to subside in December, dealer inventories remain heavy, which could further pressure spreads until inventories clear. Going into 2022, we see favorable technicals with consistent demand set to support spreads.

MUNICIPAL BONDS

- Muni rates started the week with solid outperformance as taxable rates rose on inflation fears. However, munis underperformed toward week's end when fresh COVID concerns resurfaced on Friday. The 5 , 10-, and 30-year portions of the AAA-rated muni curve ended the week at 51.6% (up from 49.8% the prior week), 71.7% (up from 70.3%), and 82.6% (up from 80.4%), respectively. Technicals remained strong, with muni funds continuing to see inflows of $720M—marking the 79th week of inflows in 80 weeks for a total of $158B. This week, the issuance calendar is expected to be light at around $6B.
- On the credit front, Puerto Rico's debt restructuring deal is being delayed into what we predict will be the spring of 2022. The delay comes as Judge Swain gave the DOJ/Attorney General until January 7 to decide whether to file opinions in support of PROMESA and until February 7 to file such reports. Prior to this news, a debt exchange was expected in January or February.

THE RETURNS TABLE As of November 26, 2021

Sovereign Rates	Duration	YTM	OAS	Yield/ OAS Change (BPS) WTD	QTD	YTD	Prior Year	Total Return (%) WTD	QTD	YTD	Prior Year
U.S. 2-Year	2.0	0.50	---	-1	22	38	35	0.05	-0.23	-0.24	-0.13
U.S. 5-Year	4.8	1.17	---	-6	20	80	80	0.14	-0.68	-2.60	-2.36
U.S. 10-Year	9.3	1.48	---	-7	-1	56	64	0.46	0.68	-3.75	-3.98
U.S. 10-Year Breakeven	--	2.55	---	-10	18	57	80	---	---	---	---
U.S. 10-Year TIPS	4.8	-1.09	---	2	-21	-1	-16	-0.27	2.43	5.18	7.16
U.S. 20-Year	16.4	1.90	---	-6	-11	44	52	0.90	2.62	-6.23	-6.68
U.S. 30-Year	22.8	1.84	---	-9	-22	18	25	1.61	6.10	-3.64	-3.92
UK 10-Year	9.5	0.82	---	-6	-20	63	54	0.53	2.05	-4.73	-3.73
Germany 10-Year	9.7	-0.34	---	1	-14	23	25	-0.07	1.30	1.23	1.23
Japan 10-Year	9.7	0.07	---	0	0	5	5	0.06	0.11	0.11	0.11
Australia 10-Year	9.4	1.74	---	-7	25	77	84	0.72	-2.09	-5.38	-5.86
Canada 10-Year	8.8	1.60	---	-5	10	93	93	0.51	-0.60	0.90	0.90
MAJOR FI MS INDICES											
Global Aggregate Unhedged	7.6	1.25	38	2	5	2	-2	-0.03	-0.52	-4.56	-3.05
Global Aggregate Hedged	7.6	1.25	38	2	5	2	-2	0.06	0.29	-1.15	-0.75
U.S. Aggregate	6.8	1.70	38	3	6	-3	-10	0.13	0.08	-1.48	-1.07
Euro-Aggregate (Unhedged)	7.7	0.08	61	4	13	14	11	-0.34	0.48	-1.82	-1.77
Japanese Aggregate	9.5	0.11	1	0	0	0	0	-0.02	-0.04	-0.10	-0.14
MAJOR FI CREDIT INDICES											
Mortgage-Backed (Agency)	5.0	1.96	33	4	6	-6	-17	-0.07	-0.39	-1.06	-0.81
Global IG Corporate Bonds	7.4	1.84	104	8	16	5	-3	-0.27	-0.75	-3.18	-1.53
U.S. IG Corporate Bonds	8.7	2.31	98	6	14	2	-8	-0.07	0.05	-1.22	-0.24
European IG Corporate	5.2	0.48	111	12	27	19	18	-0.64	-0.60	-0.91	-0.81
U.S. High Yield Bonds	4.4	4.86	341	40	52	-19	-69	-1.17	-1.36	3.11	5.18
European High Yield Bonds	3.6	3.27	353	30	53	-5	-18	-0.92	-0.90	3.27	4.15
U.S. Leveraged Loans	0.3	5.37	446	10	8	-40	-78	-0.13	0.30	4.96	6.41
European Leveraged Loans	0.3	3.76	408	0	2	-47	-114	-0.12	0.46	4.73	5.38
EM Hard Currency Sovs.	7.9	5.44	391	31	35	40	13	-1.71	-1.91	-3.24	-1.43
EM Corporates	4.9	4.59	317	14	17	-10	-37	-0.49	-0.89	0.62	2.30
EM Currencies	---	3.54	391	31	35	40	13	-1.55	-2.50	-4.61	-2.83
EM Local Rates	5.1	5.76	6	0	0	2	1	-0.29	-2.05	-5.78	-4.82
CMBS	5.1	1.80	68	3	7	-13	-27	0.05	-0.58	-1.10	-0.15
ABS	2.3	0.96	40	0	12	7	3	0.07	-0.40	-0.17	0.10
CLOs	--	1.06	106	4	4	-10	-16	-0.07	-0.05	0.06	0.15
Municipal Bonds	4.8	1.14	---	0	2	7	-4	0.05	0.38	1.17	1.89

Equity/Volatility	Level	Total Return (%) WTD	QTD	YTD	Prior Yr
S&P 500 Index	9614	-2.2	6.9	23.9	28.4
DAX	15357	-5.6	0.0	11.2	14.8
Stoxx 600	246	-4.1	1.7	17.6	20.2
Nikkei 225	28284	-3.3	-2.4	6.4	10.1
Shanghai Comp.	3563	0.1	-0.1	4.8	8.1
MSCI ACWI	378	-2.8	3.5	15.1	19.8
FTSE 100	7138	-2.4	-0.2	12.8	14.7
MOVE Index	89	21.9	46.5	82.6	125.8
VIX Index	25	59.8	23.7	25.8	34.7

FX/Commodities	Spot	% Change WTD	QTD	YTD	Prior Year
EUR/USD	1.1	0.2	-2.3	-7.4	-5.0
USD/JPY	113.4	-0.5	1.9	9.8	8.7
GBP/USD	1.3	-0.8	-1.0	-2.4	-0.2
USD/CHF	0.9	-0.5	-0.9	4.3	1.8
USD (DXY)	96.1	0.1	2.0	6.8	4.5
Oil	68.2	3.0	4.5	61.6	72.2
Gold	1802.6	-2.3	2.6	-5.0	-0.7

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Source(s) of data (unless otherwise noted): PGIM Fixed Income as of November 2021

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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: Credit Suisse Leveraged Loan Index: The Credit Suisse Leveraged Loan Index is a representative, unmanaged index of tradable, U.S. dollar denominated floating rate senior secured loans and is designed to mirror the investable universe of the U.S. dollar denominated leveraged loan market. The Index return does not reflect the impact of principal repayments in the current month.

European Senior Secured Loans: Credit Suisse Western European Leveraged Loan Index: All Denominations EUR hedged. The Index is a representative, unmanaged index of tradable, floating rate senior secured loans designed to mirror the investable universe of the European leveraged loan market. The Index return does not reflect the impact of principal repayments in the current month.

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 twentyfour 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, fixedrate 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.

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