PGIM FIXED INCOME

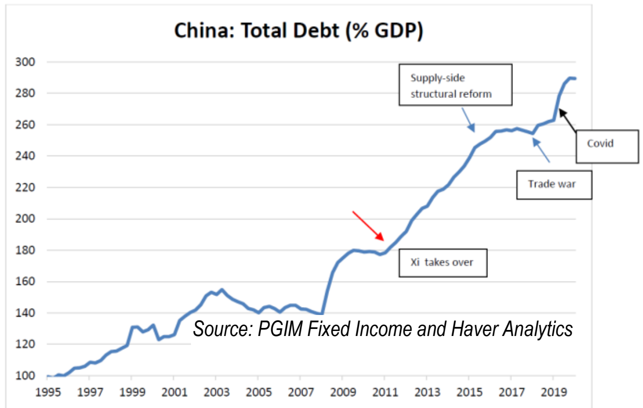
Rates React to Perception of Pared Policy Accommodation

WEEKLY VIEW FROM THE DESK | SEPTEMBER 27, 2021

QUICK LINK TO THE RETURNS TABLE

MACRO

- We attribute the recent backup in developed market yields to the prevalent sense that the respective central banks are on the move. The Bank of Canada, the Reserve Bank of Australia, the Reserve Bank of New Zealand, Bank of England have either begun tapering or are outright ending QE. The Norges Bank was first out of the gate to lift its policy rate, while the Fed's dot plot took a hawkish turn at last week's meeting, and the BoE signaled rate hikes are now in its sights. The ECB remains an outlier as the most accommodative major central bank with some significant decisions still to come regarding its QE purchases in 2022.
- Although developed market inflation metrics have surprised to the upside, particularly in the U.S., inflation expectations continue to suggest a consensus view that core price pressures will roll over when supply disruptions abate. Indeed, "buy now" impulses appear driven by supply shortages rather than anticipation of rising prices. However, the inflation uncertainty has a tangible effect on business activity, e.g., it makes long-term contract agreements more challenging and raises the difficulty of long-term corporate planning. We also believe the pandemic may have worsened an underlying trend of labor shortages and that the transition away from carbon-based energy supplies may add to headline inflation pressures with periodic supply disruptions going forward.
- The deadline to resolve the U.S. debt ceiling stalemate is slated for mid-October, and we believe the parties are jockeying around a solution that is the least politically damaging at this point. Our base case is that the Democrats pass an increase in the ceiling through a separate bill passed by a simple majority. However, if the issue is taken to the wire with the need to prioritize debt payments (possibly over social security payments, for example), this could cross a line in the sand with unforeseen political ramifications.
- With regulatory events in China occurring on a near daily basis (see here, here, and here), we believe that if current property policies are not eased, they could lead to a historically hard landing, which the party would presumably like to avoid. Yet, an easing of property policy as well as significant fiscal and monetary policy easing could harden moral hazard risks or lead to a loss in confidence in property investing. The prospects for additional stimulus raise the question of how the country might eventually reconcile the decades of its steeply rising debt-to-GDP (see accompanying chart).

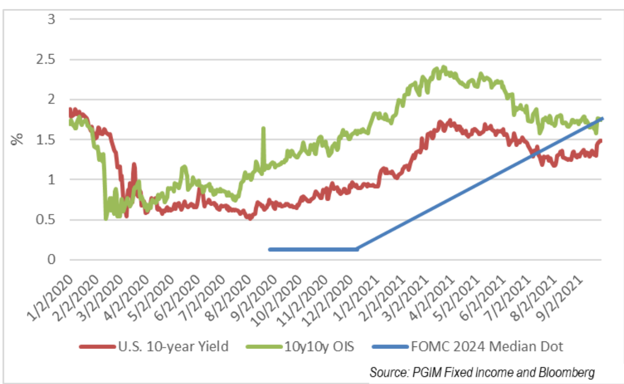


Source: PGIM Fixed Income and Haver Analytics

RATES

- The perception that DM central banks may be close to removing pandemic-stimulus measures has global market ramifications, including some relative normalization along the back end of the UK linkers curve, which appears extremely rich. We generally believe longer-term bund yields appear rich as well.
- In the U.S., we believe a sooner hiking cycle could contribute to a flatter Treasury curve. Indeed, as the Fed's dots have been pulled forward, longer-term rates have declined (see accompanying chart). we continue to expect long-dated yields to remain generally low and range bound, with the 10-year Treasury yield likely to end the year toward the lower end of its recent 1.15-1.75% trading range. We continue to favor the 20-year bond in the U.S., which we see as 7-8 bps cheap to the 10-year issue and 5-6 bps cheap to the 30-year bond.

  MBS OAS and nominal valuations remain tight and continue to reflect the Fed's purchase operations. We expect dollar rolls to cheapen and specified pools to perform better once the Fed tapers. Given the long tapering runway, it is less likely MBS spreads move wider on the announcement. Rather, MBS will gradually widen on the need for new non-economic buyers, possibly banks, who can look beyond the sector's tight OAS profile.



Source: PGIM Fixed Income and Bloomberg

IG CORPORATES

- In the U.S. IG market, we continue to seek issuer specific catalysts that may improve fundamentals as well as carry and roll opportunities. For example, crossover names, short-maturity BBBs, 15-20 year issues (roll opportunities), and long BBBs with deleveraging catalysts remain attractive.

- We also remain overweight energy (continued debt reduction and upgrade potential), money center banks (cheap to industrials and less event risk), and utilities (somewhat cheap to industrials and less cyclical).
- In Europe, we expect spreads will be reasonably range bound with remaining room for spread compression in BBB names, financials, and some corporates, leading to the potential for some index spread tightening. We continue to prefer non-ECB eligible paper as it generally has more spread and similar credit risk, resulting in portfolios that are overweight reverse yankee paper.

HIGH YIELD

- U.S. high yield spreads tightened slightly last week with spreads ending just 1 bp above their post-financial crisis tights. High yield bond prices have remained flat in Q3 as momentum from fundamental credit improvement and strong corporate earnings has been offset by lingering virus concerns. Nevertheless, the nearly all of the sector's positive Q3 returns were due to coupon income.
- The strong compression amongst quality tiers during the first half of 2021 started to reverse course in Q3. So far this quarter, BBs returned +1.64%, outpacing CCCs by 79 bps. However, CCCs (+10.5%) are still outpacing BBs (+4.4%) by a significant margin so far in 2021. All high yield industries have posted positive returns in Q3, with food & beverage and food & drug retail outperforming. Energy has also been a strong performer this quarter and remains the best performing industry so far in 2021. Our base case is for strong fundamentals (low defaults and rising credit quality) and solid technicals to remain supportive of the high yield market. In this scenario, we expect spreads to tighten an additional 40 bps by mid-2022 before some moderate widening thereafter. Risks to this benign view are a potentially hawkish Fed, uncertainty in China, and additional COVID mutations.
- U.S. leveraged loans posted slightly positive returns last week as managers remain focused on the primary calendar. At +441 bps, leveraged loan spreads are now 45 bps tighter than year-end 2020 as robust CLO issuance, strong institutional demand, and ongoing inflows into loan mutual funds continue to drive strong returns. Our base case is for loan spreads to continue to grind tighter and loan prices to continue to increase in Q4, albeit at a slower pace than the first three quarters of 2021. For loans, we generally anticipate another 100-150 bps of total return in Q4, with approximately 90 bps of that coming from coupons, 12 bps coming from the base rate, and another 25-50 bps coming from price appreciation.
- In Europe, high yield bond and loan returns have been strong so far in Q3. For high yield, new supply has recently underwhelmed vs. expectations but is on pace for a record year. We continue to expect 2021 high yield bond and loan default rates to remain benign at 0.8% and 1.0%, respectively, which, along with a reach-for-yield technical, should support the market.

EMERGING MARKETS

- Emerging market hard currency assets posted negative returns last week as new issuance remained strong and fund flows turned negative. China continued to pump liquidity into the financial system, adding $71B last week, to calm nerves surrounding the Evergrande crisis. Lebanon, Venezuela, Papua New Guinea, Mozambique, and Suriname outperformed, while Argentina, El Salvador, Ecuador, Angola, and Zambia lagged.
- Emerging market local debt also posted negative returns. Chile, Peru, Czech Republic, Hungary, and Brazil were the outperformers, while Colombia, Russia, South Africa, Mexico, and Turkey lagged. The national Bank of Hungary hiked the base rate by 15 bps, while the Brazilian Central Bank increased its policy rate by 100 bps to 5.25%. Meanwhile, Turkey's central bank cut the one-week repo rate by 100 bps to 18%. Within local rates, our base case is that country dispersion will continue in Q4.
- EMFX returns were also negative, with the South African rand, Brazilian real, Israeli shekel, Czech koruna, and Singaporean dollar outperforming. The Turkish lira, Philippian peso, Chilean peso, Hungarian forint, and Malaysian ringgit underperformed. Within EMFX, we believe the bar is high for the asset class to see sustained strength given the prospect of U.S. Fed tapering. Therefore, we believe a focus on relative value with a small long USD bias is logical at this point.
- Looking forward, we expect EMD asset performance to remain differentiated, with hard currency sovereigns and corporates being our highest conviction asset classes. Increased debt burdens, varying policy and fiscal consolidation efforts, funding requirements, commodity price sensitivity, and the political calendar remain key considerations.

SECURITIZED PRODUCTS

- We expect conditions in the CLO market to continue, with spreads rangebound. However, we are mindful taper could soften spreads, though spread widening will likely be met by lower issuance, which should temper taper induced spread widening.
- In CMBS, property appreciation since early 2020 has been nothing but astounding for industrial (supported by last-mile logistic facilities) and self-storage, with both over 40%. Multi-family has seen solid growth at 13% and strip malls at 6%. While lodging, office and malls have had depreciation of -4%, 6% and -13%, respectively.
- In ABS, we are buyers of senior and subordinate classes in branch bank unsecured consumer loans and top tier subprime auto subordinates. Regulatory and economic capital credit risk transfer trades in ABS also offer compelling relative value.

MUNICIPAL BONDS

- Municipal bonds continued to benefit from strong technicals, with funds seeing another net inflow last week. This brings year-to-date inflows to $88B. The 5 , 10-, and 30-year portions of the AAA-rated muni curve ended the week at 46.0% (down from 47.4% the prior week), 68.5% (down from 68.8%), and 80.0% (down from 80.9%), respectively. The relative richness of tax-exempts, combined with expectations of weaker technicals at the start of Q4, led to underperformance on the long end in Q3, with the 30-year muni/Treasury ratio closing out the quarter above the 90-day and one-year average.
- Looking forward, we expect inflows to continue through year end unless rates back up significantly over the relatively short period of time. This, combined with expectations of negative net supply toward year end, should be supportive of tax-exempts. Municipal credit quality remains solid and is expected to remain so based on the ongoing economic recovery and federal stimulus. For taxable munis, continued demand and manageable issuance should also provide support.

THE RETURNS TABLE As of September 24, 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	1.9	0.27	---	5	2	15	14	-0.09	0.08	-0.03	0.05
U.S. 5-Year	4.8	0.95	---	9	6	59	67	-0.41	-0.13	-1.82	-2.03
U.S. 10-Year	9.2	1.46	---	9	-2	54	79	-0.80	0.31	-3.80	-5.75
U.S. 10-Year Breakeven	--	2.33	---	-1	0	35	75	---	---	---	---
U.S. 10-Year TIPS	4.9	-0.88	---	10	-1	21	3	-0.83	1.83	2.73	4.73
U.S. 20-Year	16.6	1.93	---	8	-9	49	74	-1.24	1.69	-7.11	-10.78
U.S. 30-Year	22.4	1.99	---	8	-10	34	58	-1.69	2.33	-7.09	-12.10
UK 10-Year	9.7	0.92	---	8	21	73	71	-0.74	-0.71	-5.78	-3.83
Germany 10-Year	9.9	-0.23	---	5	-2	34	27	-0.52	0.16	0.22	0.22
Japan 10-Year	9.7	0.06	---	1	0	4	5	-0.06	-0.16	-0.16	-0.16
Australia 10-Year	9.6	1.41	---	10	-12	44	60	-0.95	1.59	-2.60	-3.61
Canada 10-Year	8.9	1.38	---	9	-1	70	82	-0.80	0.44	-5.09	-5.49
MAJOR FI MS INDICES											
Global Aggregate Unhedged	7.5	1.13	33	-1	0	-4	-18	-0.50	-0.09	-3.29	0.17
Global Aggregate Hedged	7.5	1.13	33	-1	0	-4	-18	-0.33	0.43	-1.09	-0.26
U.S. Aggregate	6.8	1.53	33	-2	1	-9	-28	-0.40	0.45	-1.16	-0.60
Euro-Aggregate (Unhedged)	7.7	0.06	48	0	0	0	-11	-0.32	0.25	-2.04	-0.75
Japanese Aggregate	9.6	0.10	1	0	0	0	0	-0.07	0.17	0.03	-0.06
MAJOR FI CREDIT INDICES											
Mortgage-Backed (Agency)	4.8	1.81	30	-2	3	-9	-36	-0.26	0.13	-0.64	-0.31
Global IG Corporate Bonds	7.4	1.60	87	-2	1	-13	-49	-0.39	0.14	-1.56	2.79
U.S. IG Corporate Bonds	8.7	2.06	82	-3	2	-14	-54	-0.35	0.81	-0.47	2.34
European IG Corporate	5.3	0.30	84	1	1	-8	-35	-0.22	0.20	-0.20	1.83
U.S. High Yield Bonds	3.8	3.89	277	2	8	-83	-257	-0.13	1.21	4.87	12.36
European High Yield Bonds	3.3	2.53	288	7	-2	-70	-183	-0.22	0.94	4.54	10.21
U.S. Leveraged Loans	0.3	5.01	440	-4	-3	-46	-143	0.07	1.01	4.52	8.20
European Leveraged Loans	0.3	3.72	402	-1	-5	-50	-180	0.02	0.96	4.20	8.18
EM Hard Currency Sovs.	7.9	5.02	352	9	12	0	-88	-1.24	0.15	-0.52	5.60
EM Corporates	4.9	4.32	299	-1	3	-29	-106	-0.35	0.60	1.88	6.43
EM Currencies	---	3.18	352	9	12	0	-88	-0.38	-0.92	-1.51	4.99
EM Local Rates	5.1	5.21	5	0	0	1	1	-0.28	-0.58	-3.47	-1.42
CMBS	5.1	1.55	60	-2	2	-20	-45	-0.28	0.10	-0.40	0.57
ABS	2.3	0.62	29	0	7	-4	-13	-0.09	0.04	0.22	0.61
CLOs	--	1.01	101	0	-3	-15	-28	0.00	0.04	0.11	0.46
Municipal Bonds	4.8	1.02	---	5	2	-5	-29	-0.20	0.23	1.30	3.07

Equity/Volatility	Level	Total Return (%) WTD	QTD	YTD	Prior Yr
S&P 500 Index	9301	0.5	4.0	19.9	39.3
DAX	15599	0.3	0.0	13.2	23.2
Stoxx 600	246	0.3	2.6	17.5	31.8
Nikkei 225	30240	-0.8	5.1	11.2	33.2
Shanghai Comp.	3583	0.0	1.7	6.2	14.5
MSCI ACWI	375	0.1	1.8	14.3	34.9
FTSE 100	7049	1.3	1.4	12.4	25.5
MOVE Index	58	4.3	2.1	19.4	57.1
VIX Index	19	-14.7	12.1	-22.0	-37.7

FX/Commodities	Spot	% Change WTD	QTD	YTD	Prior Year
EUR/USD	1.2	0.0	-1.2	-4.1	0.4
USD/JPY	110.7	0.7	-0.3	7.2	5.0
GBP/USD	1.4	-0.5	-1.1	0.1	7.3
USD/CHF	0.9	-0.8	0.0	4.5	-0.2
USD (DXY)	93.3	0.1	1.0	3.8	-1.1
Oil	74.1	3.0	0.9	52.8	84.6
Gold	1750.4	-0.2	-1.1	-7.8	-6.3

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