Confidence must be earned

Amundi ASSET MANAGEMENT

Q3 2019

Emerging Markets Charts & Views

Finding a balance between easing central banks and an uncertain scenario

Investment Insights | Market Stories

Emerging Markets: Finding a balance between easing central banks and an uncertain scenario

Yerlan Syzdykov

Global Head of Emerging Markets

Dear client,

The recent dovishness from the Fed, a benign inflation environment and the easing in global financial conditions continue to support a goldilocks environment for Emerging Markets (EM) assets. On the risks side, trade disputes appear to be softening as we approach the US presidential campaign. But the existing tariffs are weighing on the corporate earnings, with mixed prospects across regions as some countries are also benefitting from a restructuring of the global supply chain.

Against this backdrop EM bonds continue to be an attractive space for investors in search for yield. We still see better risk-reward in EM sovereigns, EM local rates (duration component) and corporate credit compared to EM FX, on which we are defensive, especially in low yielding, equity sensitive currencies in Asia (more exposed to trade and China growth).

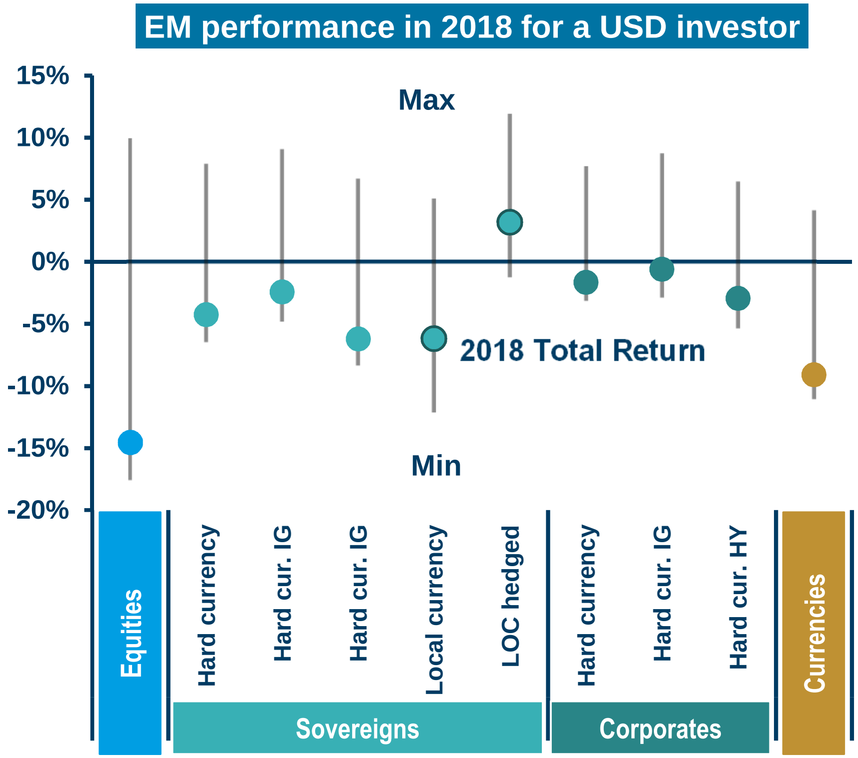
On the equity side, Emerging Markets benefitted from the trade war truce announced at the G20 as well as more dovish EM Central Banks following the Fed and the ECB lead. Looking ahead we expect the outlook across regions to remain mixed. We look for areas of good fundamentals, interesting dividend yield and improving governance standards and for less vulnerable countries with stories of resilient domestic growth and progress in structural reforms.

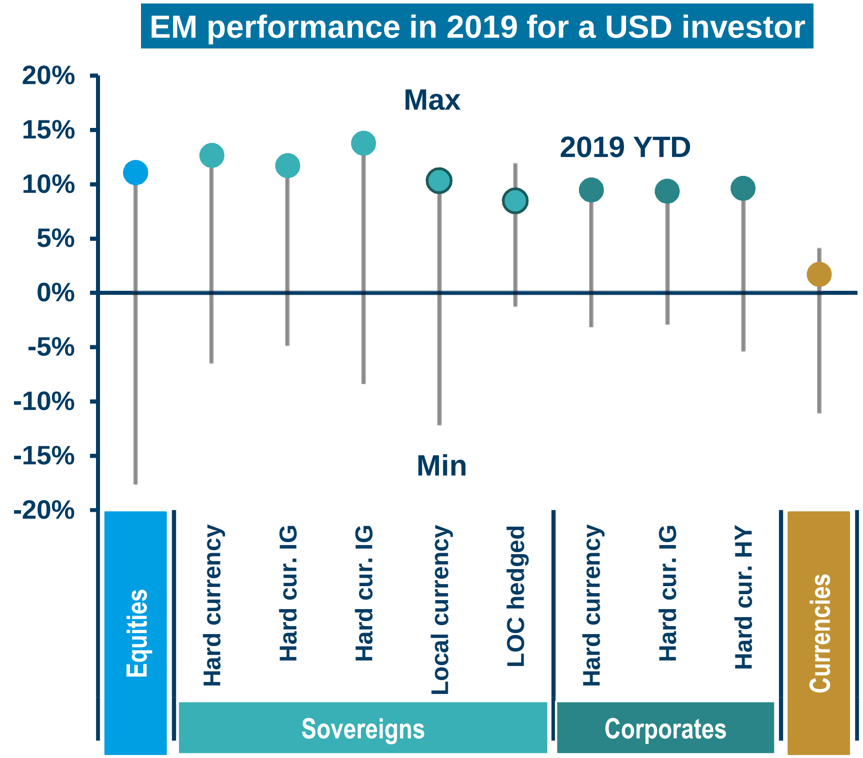
Investors should be aware that lower summer market liquidity within a still uncertain environment could lead to potential market pullback that in our view can provide opportunities for investors with a mid-term horizon to further add into EM assets.

We hope you will find this document insightful and stay tuned for next quarter EM Charts and Views update in October,

Yerlan Syzdykov

EM performance YTD: a completely different story vs 2018

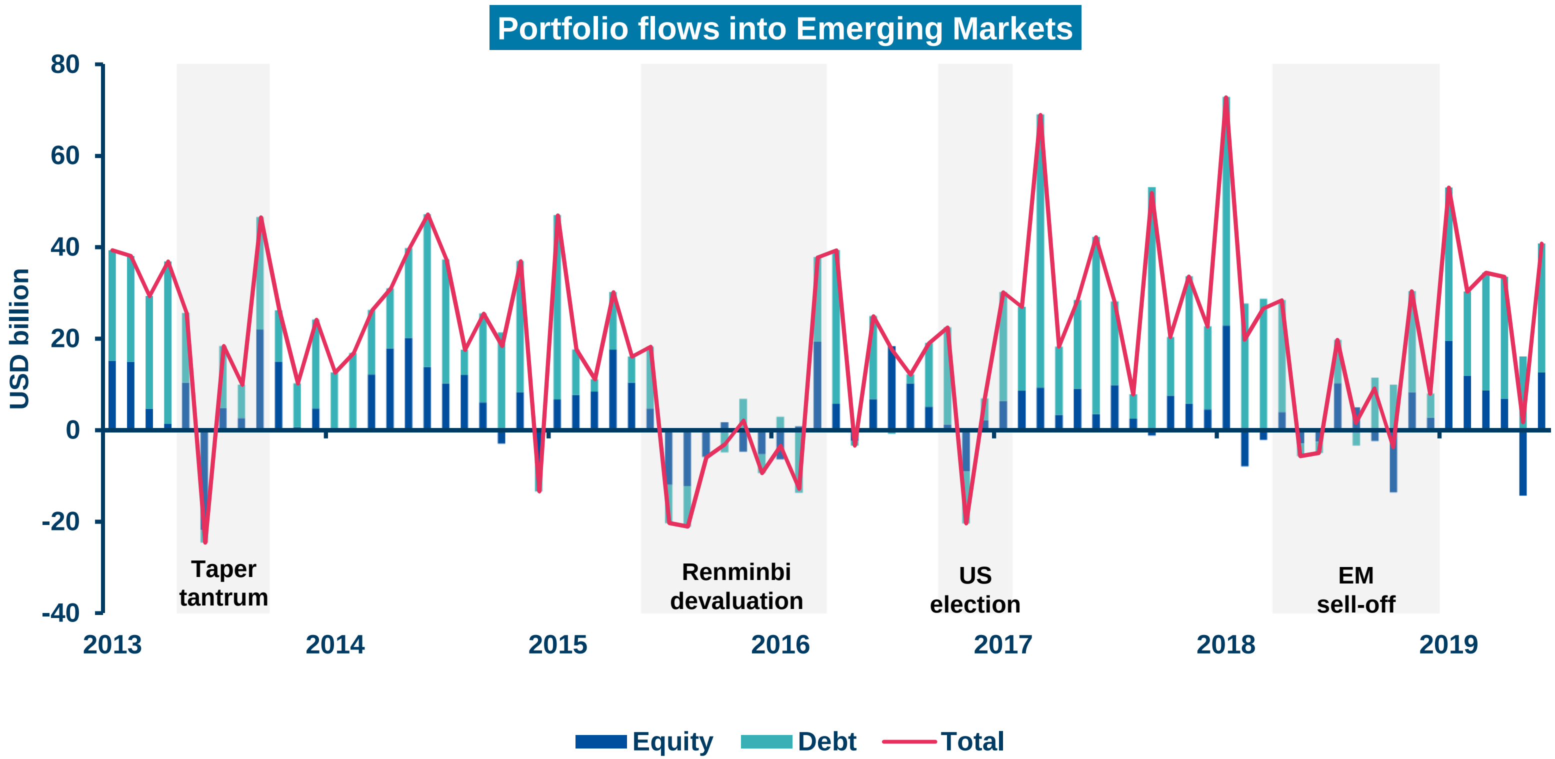




» Last year proved to be very challenging for EM : a strong dollar, higher yields in US Treasuries and idiosyncratic risks (Turkey, among all) weighed on investor sentiment. Since January 2019, EM assets started to show positive performance across asset classes.

Source: Amundi's elaborations on Bloomberg data. As of 24 July 2019. **Past performance is no guarantee of future results.**

Strong net inflows driven by more favourable conditions



» After a tough month of May (Trump increased tariffs on Chinese goods), portfolio inflows to Emerging Markets recovered in June on the back of a more dovish tone from global central banks and some relief in trade tensions. Overall, net inflows were $194bn in the first half of 2019, among the best six-months period over the last 10 years.

Source: Amundi's elaborations on IIF data. As of 2 July 2019..

Emerging Markets High Conviction Ideas – Q3 2019

Macro Themes

Equities

Fixed Income

Currencies

Macro themes

We see 4 key themes underpinning the case for a constructive view on EM: (1) the most important is the Fed acting preventively to prolong the cycle and the impact on the USD; (2) Secondly, the expected widening in the growth differential between EM and DM with countries differences also due to the impact of trade tariffs; (3) Soft landing in China; (4) the risks related to the geopolitical landscape and to the debt dynamics.

Equities

EM equities have benefited from easing trade tensions, in an overall earnings outlook that remains mixed. We expect further significant market upside in the case of a deal between China and the US being reached before the US presidential elections, with only existing tariffs remaining in place. On the contrary, further escalation could lead to a market correction. Stock selection remains key to seek opportunities. Our main convictions in EM equities are: Russia (dividend yield and supportive policies), China (dividend yield) and India (political stability and reforms).

Fixed Income

Improved financial conditions on the back of a more dovish Fed and anchored inflation expectations provide a supportive backdrop for investors in search for yield in EM debt. Careful selection on the basis vulnerabilities and fundamentals of each country is increasingly relevant after the strong performance in the first part of the year. We also seek opportunities in EM credit that provides relatively more attractive spreads than DM with a benign default outlook. We call for a strong focus on bottom-up selection and liquidity management at this stage of the cycles and cautiousness in most indebted segments.

Currencies

EM currency should continue to benefit from more dovish Central Banks globally and synchronised actions in DM and USD stabilisation. Most of the EM FX are undervalued based on traditional models. If political risks do not escalate and domestic reforms in EMs continue, we could see a return in risk appetite for EM FX, which could benefit investments in local currencies.

Source: Amundi. Data as of 20 July 2019. EM = Emerging Markets, DM = Developed Markets.

Hot topics: tailwinds and headwinds blowing over EM

HOT TOPICS

FED POLICY AND USD

A more dovish Fed (markets already priced in a cut rate at the end of July) and a possible less strong US dollar would benefit EM asset classes.

TRADE DISPUTES AND GROWTH OUTLOK

Global trade tensions (not only US-China dispute) negatively affect global growth and financial markets. Some EM may benefit from reshuffle in global supply-chains.

CHINA "SOFT LANDING"

Chinese government's stimulus to the economy will play a key role in managing the growth slowdown and in avoiding hard landing scenarios.

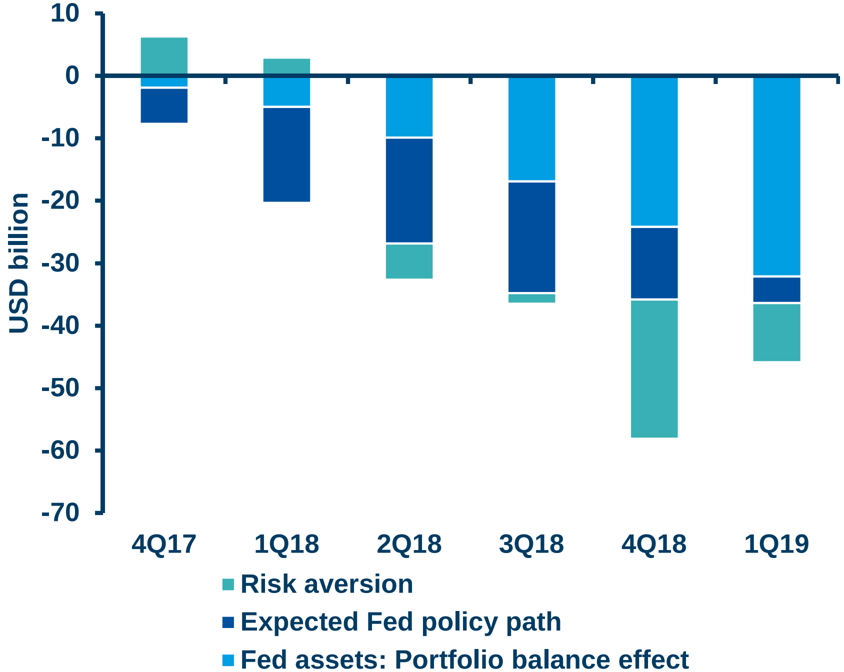
DEBT AND GEOPOLITICS

Emerging markets' total debt has grown and represents a vulnerability that has to be monitored. Political agenda and other geopolitical events are under the spotlight.

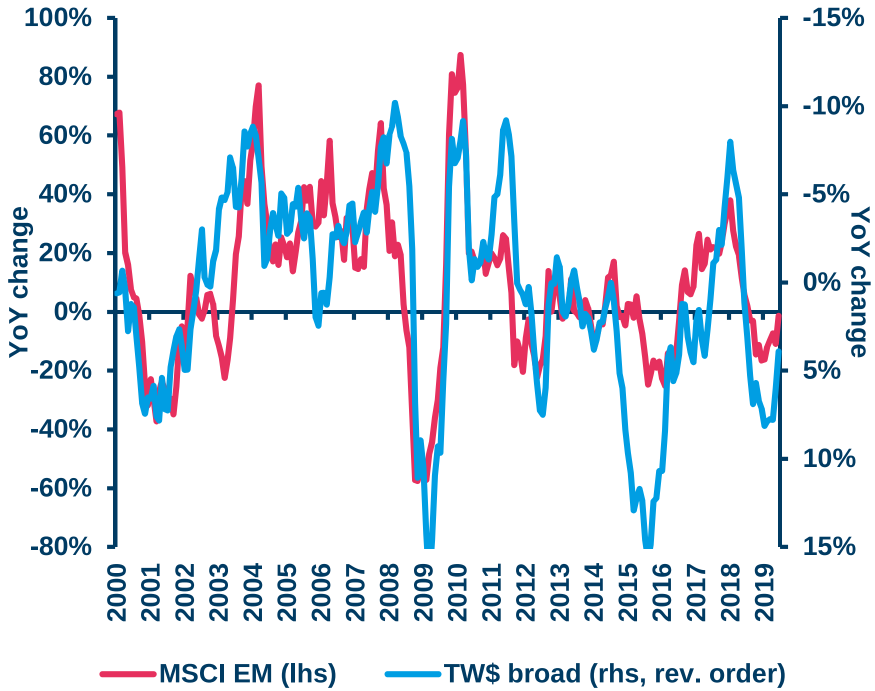
Source: Amundi. As of 18 July 2019.

Fed policy and US dollar in focus

Impact of external factors on EM portfolio flows



Trade-weighted US dollar index and MSCI EM

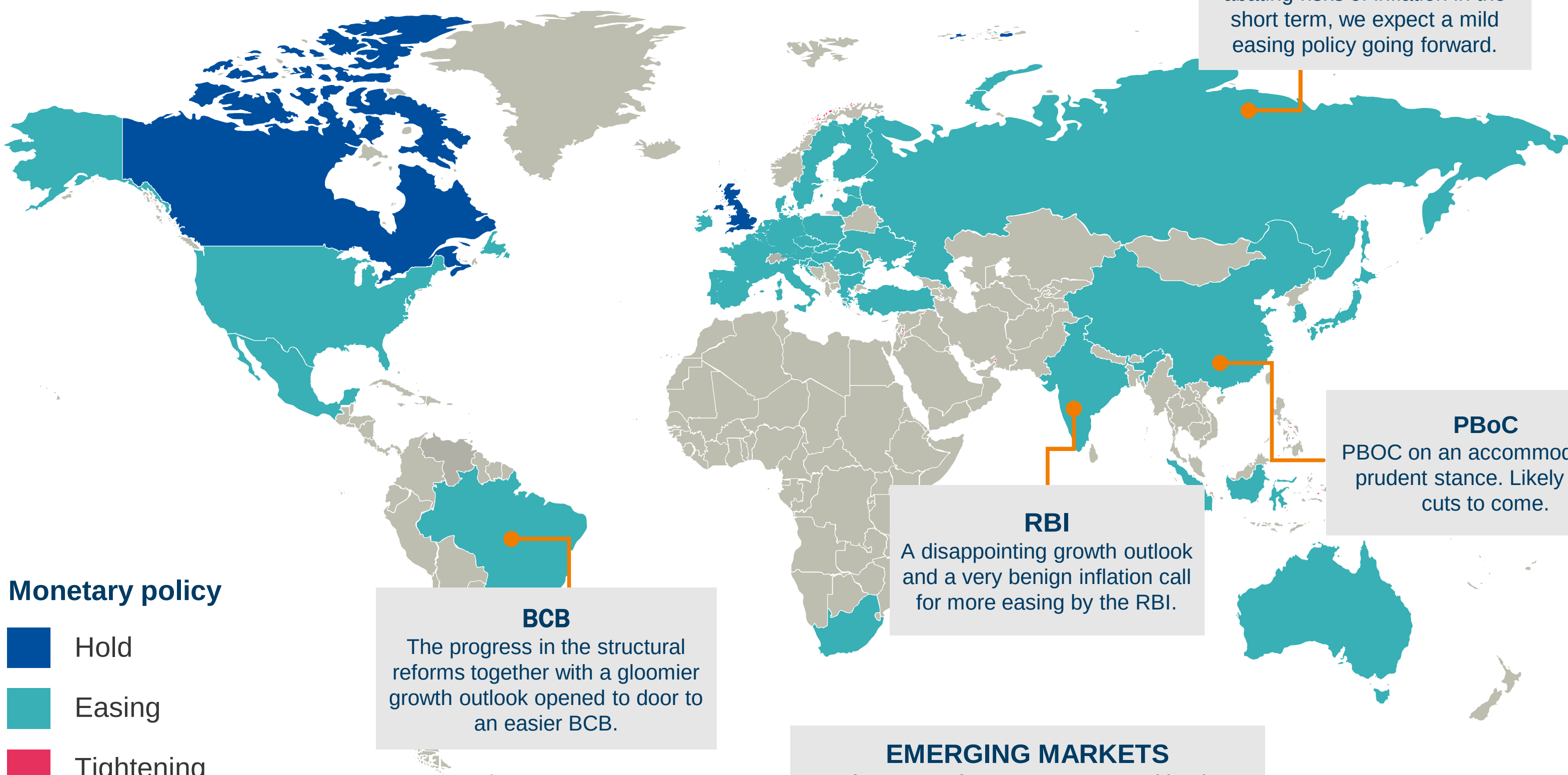


» The Fed policy decisions have a direct impact on investors' sentiment towards emerging markets. An easier Fed's stance (opening both to cut rates and interruption of the balance sheet normalization process) suggests that the US dollar is unlikely to strengthen further, providing support to EM assets.

Source: Amundi's elaboration on IMF estimates. As of 10 April 2019.

Source: Amundi's elaborations on Bloomberg data. As of 18 July 2019..

Central banks dovish across the board



CBR
Coherently with the CBR view of abating risks of inflation in the short term, we expect a mild easing policy going forward.

PBoC
PBOC on an accommodative / prudent stance. Likely RRR cuts to come.

RBI
A disappointing growth outlook and a very benign inflation call for more easing by the RBI.

BCB
The progress in the structural reforms together with a gloomier growth outlook opened to door to an easier BCB.

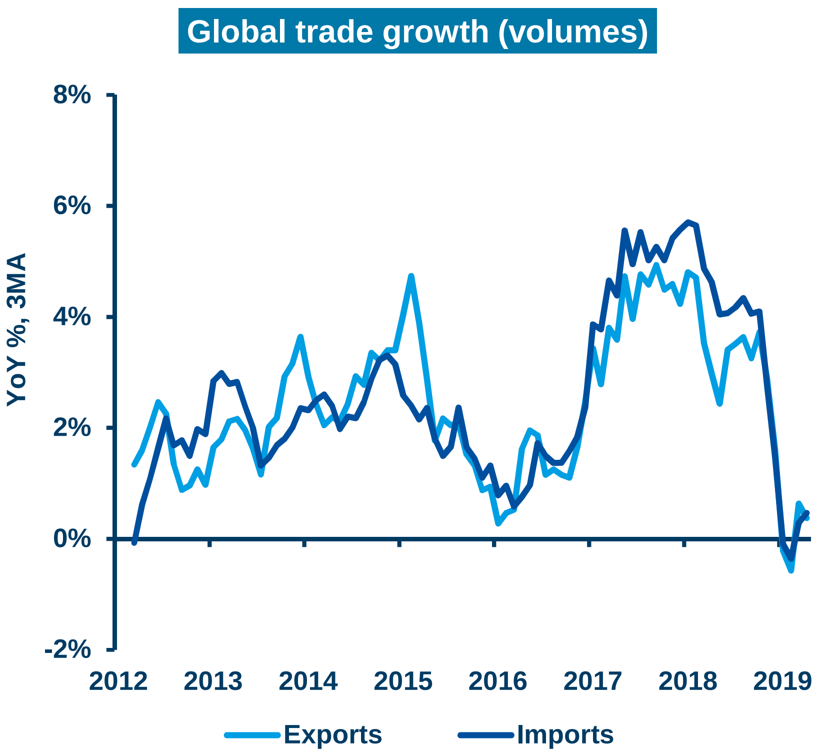
EMERGING MARKETS
Softer stance from most EM central banks, given a more benign inflation and DM CB accommodative stance.

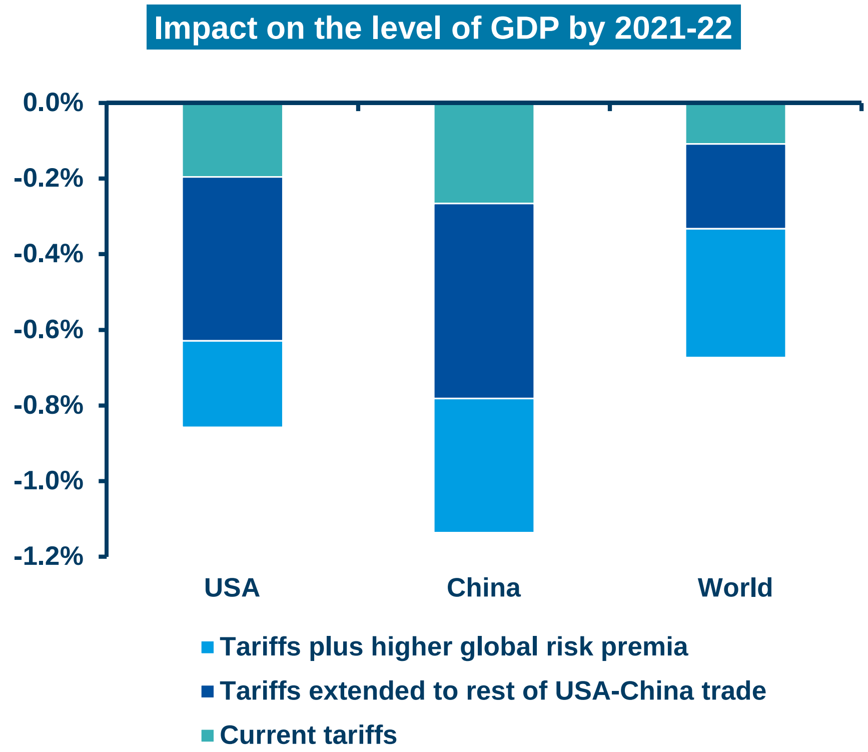
Monetary policy

- Hold
- Easing
- Tightening

Source: Amundi, as of 16 July 2019. Indicative map for monetary policies. A reduction or end of quantitative easing interpreted as tightening. PBoC: People Bank of China; BCB: Central bank of Brazil; CBR: Central Bank of Russia; RBI: Reserve Bank of India. RRR: reserve requirement ratio.

Trade tensions weigh on economic growth





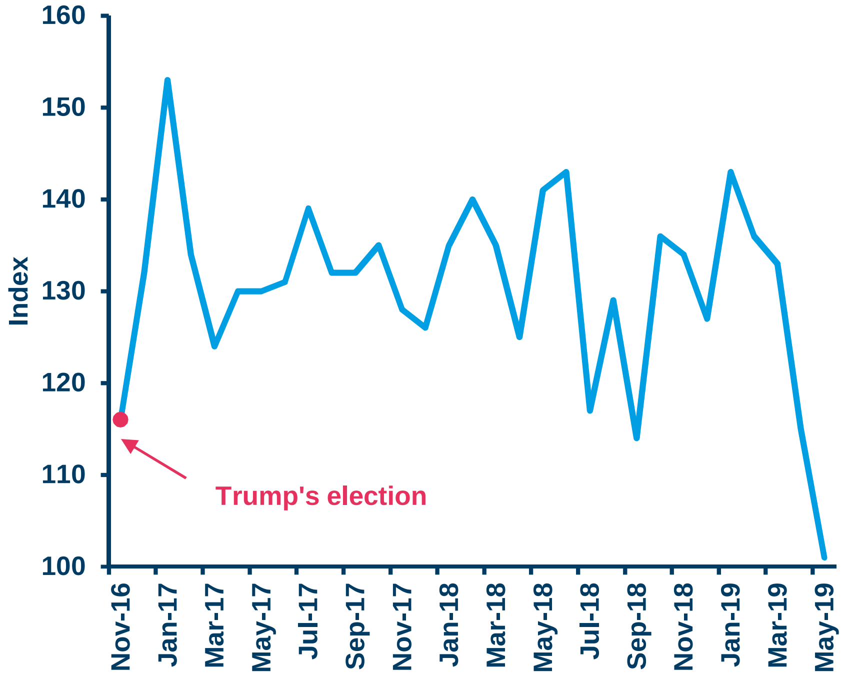
» Global trade volume growth have been falling significantly since the tariffs were implemented, yet now the temporary trade truce seems to have given some relief to world trade. Trade disputes are damaging economic growth and if existing tariffs remain or new tariffs are implemented, the negative impact on growth will be even worse.

Source: Amundi's elaboration on CPB World Trade Monitor data As of 10 July 2019.

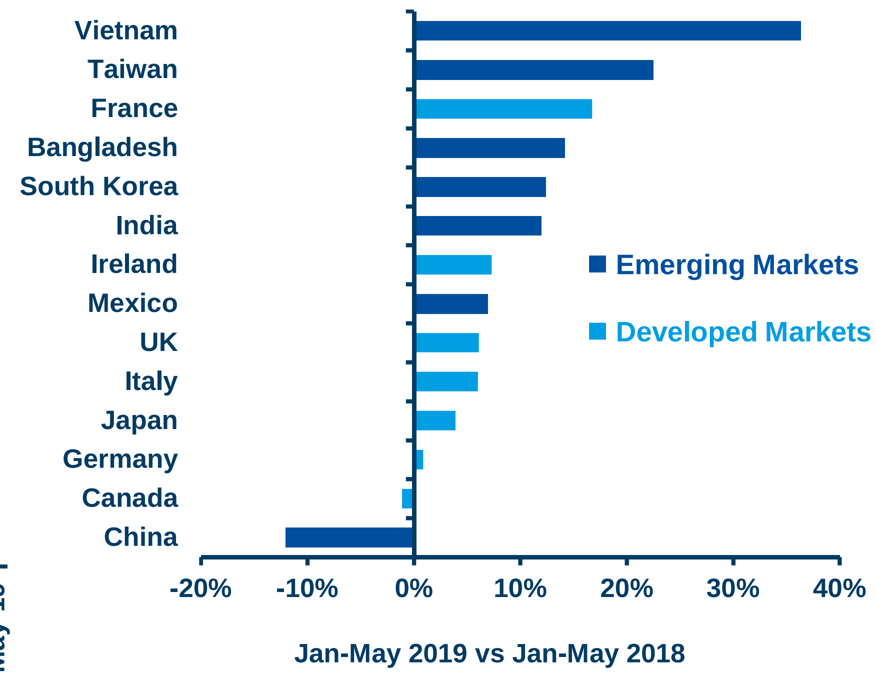
Source: Amundi's elaboration on OCSE estimates. As of 21 May 2019.

Pressures on both sides to reach an agreement

US farmer sentiment



US imports YoY change per country partner

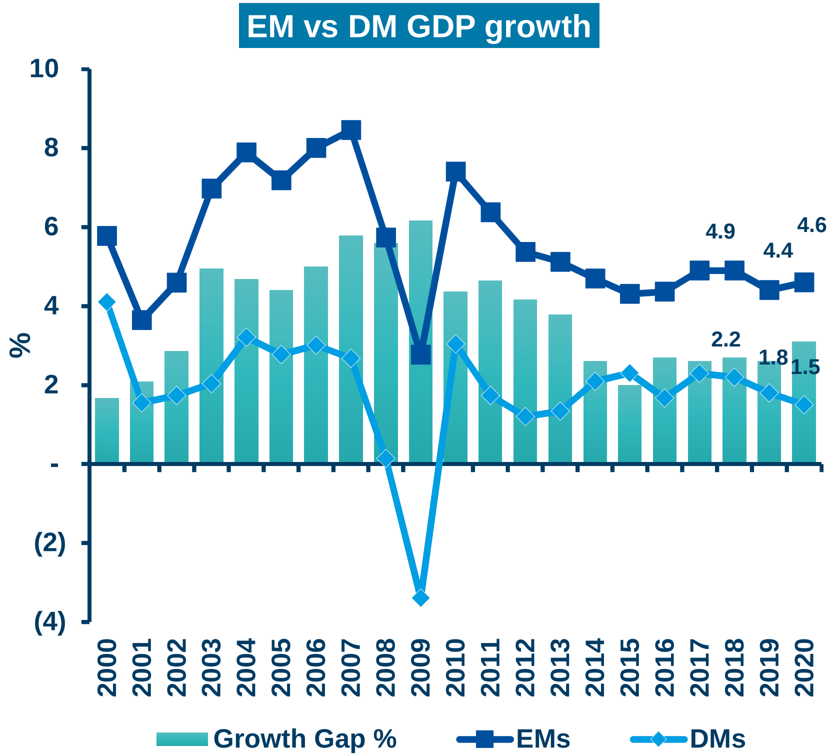


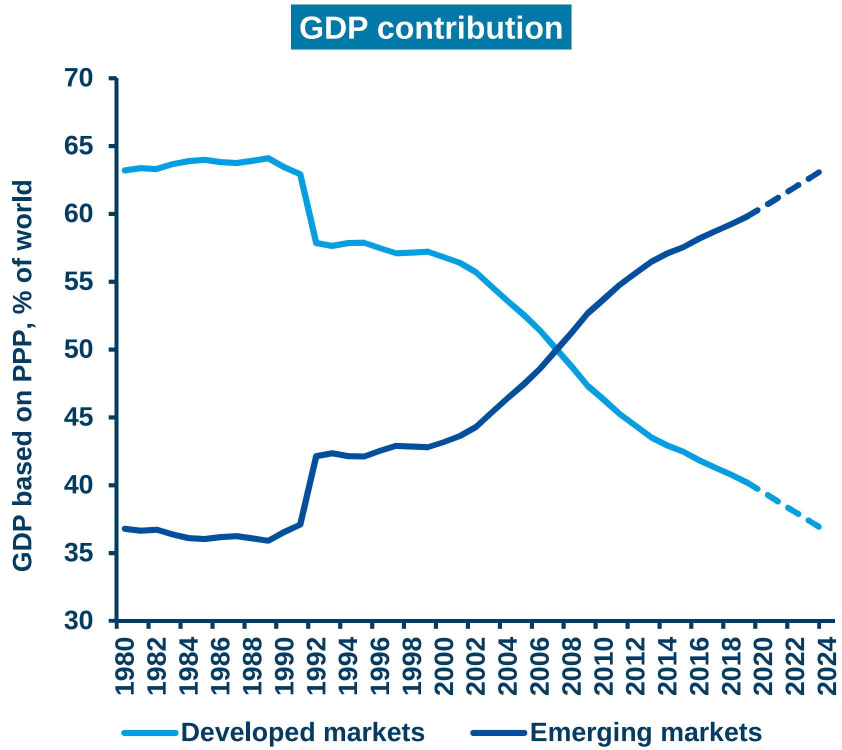
» The US farmer sentiment hit its lowest level in May since Trump's election (they represent a great part of Trump's voters). Due to tariffs on Chinese goods, US producers are reducing their imports from China. As a result, othe emerging countries (mainly in Asia) may benefit from a restructuring of the global supply chain.

Source: Amundi's elaboration on Purdue University data. As of 30 June 2019.

Source: Amundi's elaboration on US Census Bureau data. As of 3 July 2019.

Economic growth is slowing, forecasts revised downward



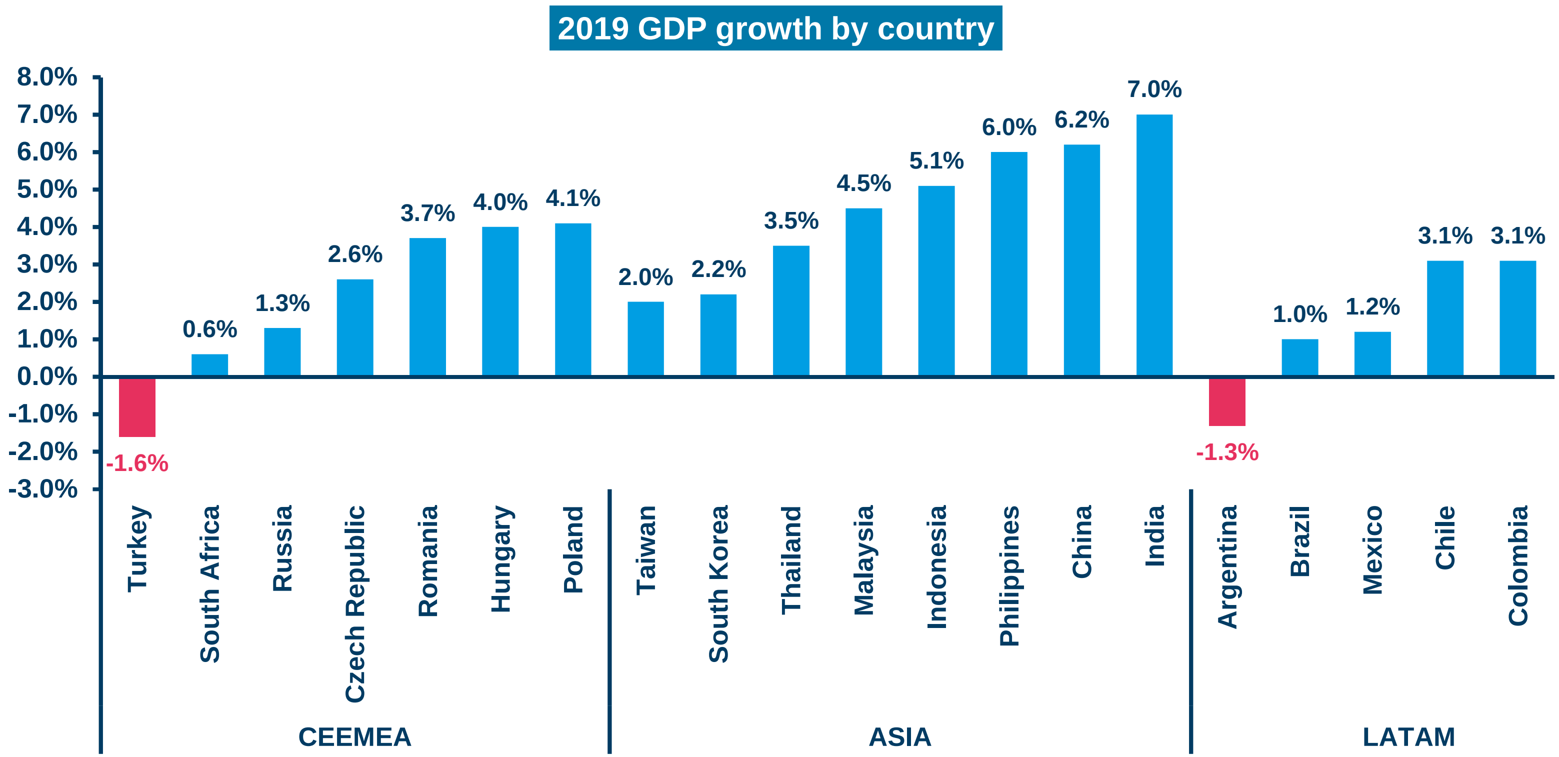


Global growth is still sluggish and projections for next years have been revised downward, mainly due to trade tensions and an overall increase in downside risks. However, fundamentals are still relatively decent in EM in aggregate and we still expect a widening in GDP growth differential vs DM starting by the end of year.

Source: IMF, Amundi Research estimates for 2019 and 2020. As of 12 July 2019.

Source: Amundi's elaborations. IMF estimates. Data as of 18 July 2019.

GDP growth in EM: divergences among countries



Growth rates diverge significantly within the emerging market universe. It is essential to have a focus both on regional and single-country levels and to closely monitor countries more exposed to domestic and external vulnerabilities, such as Argentina and Turkey.

Source: Amundi Research estimates. As of 12 July 2019.

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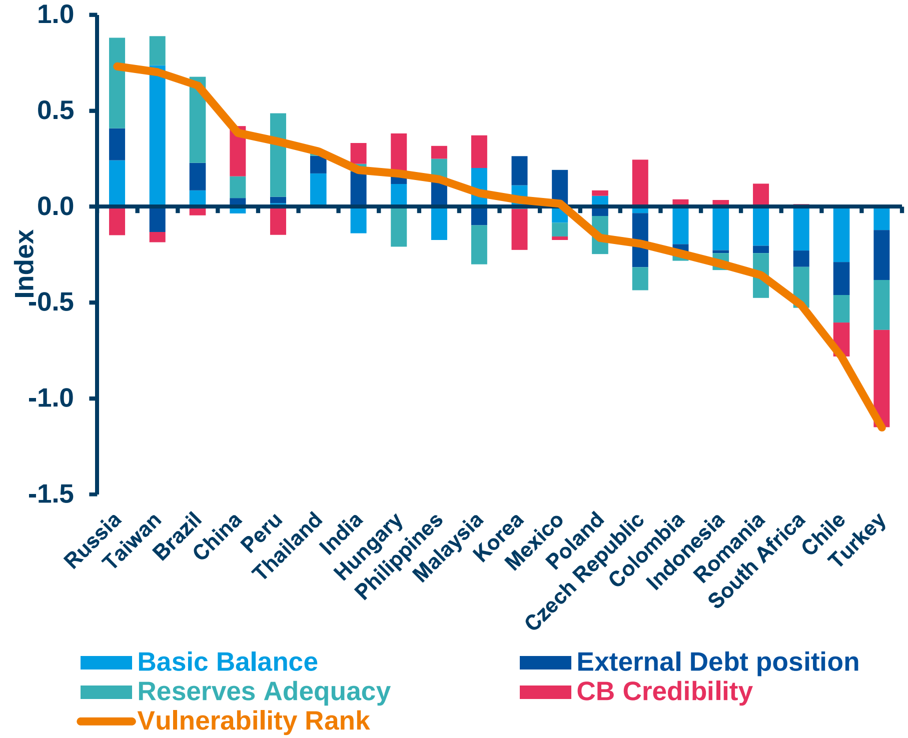
EM: watch vulnerabilities and fiscal/monetary policy

Monetary policy capacity		Fiscal capacity: Low	Fiscal capacity: Medium	Fiscal capacity: High
	Low	Colombia	Turkey	Chile
	Medium	Hungary, Poland	India, Philippines, Mexico, S. Korea, Indonesia, S. Africa	Czech, Malaysia
	High	Brazil	China, Malaysia	Russia, Peru, Thailand

Fiscal Capacity: relative assessment on fiscal fragility based on 14 variables related to fiscal accounts in the short and long term horizon.
MP capacity: relative assessment based on External Vulnerability and inflation anchored.
These are not predictions on next fiscal and monetary policies.

External vulnerability index & Central Bank Credibility



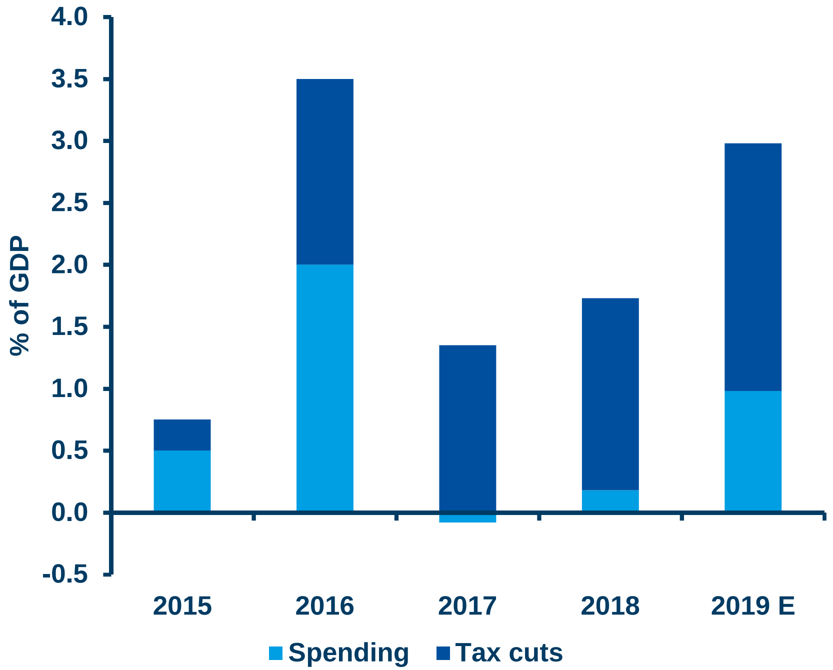
» As the EM universe is varied, it is important to focus on countries with lower external vulnerability and on those that have sufficient room to manoeuvre their fiscal/monetary policy to deal with any possible economic deterioration.

Source: Analysis by Amundi Research, CEIC. As of 16 July 2019.

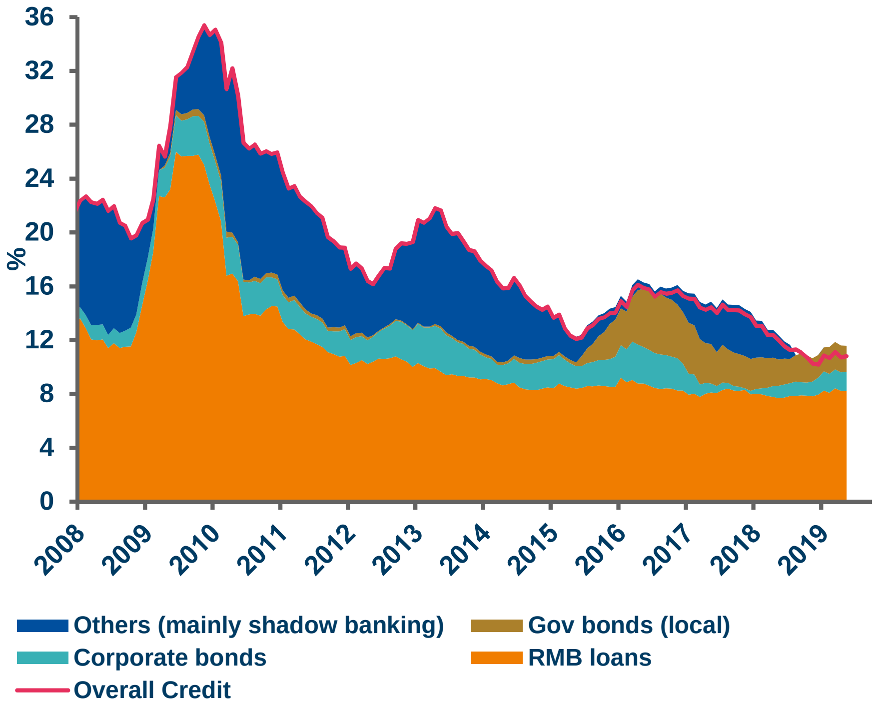
Source: CEIC, Amundi Research. As of 12 July 2019.

China: all kinds of policy measures on the table

China's fiscal stimulus (% of GDP)



Contribution to credit growth (incl. gov bonds)



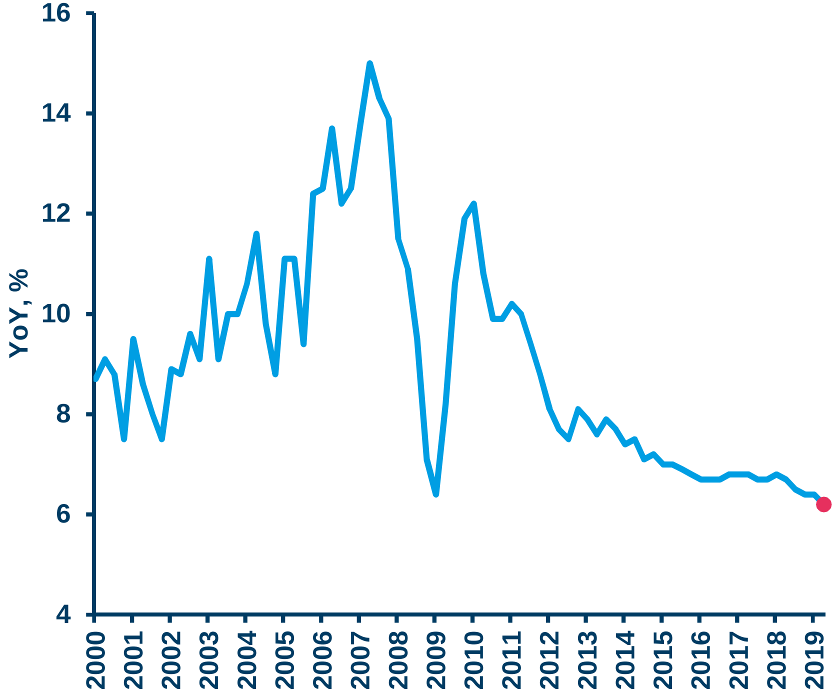
» Stimulus initiatives and reforms are gaining traction and will likely produce a growth stabilisation with further targeted measures.

Source: Amundi's elaboration on Cornestone Macro data. As of 30 May 2019.

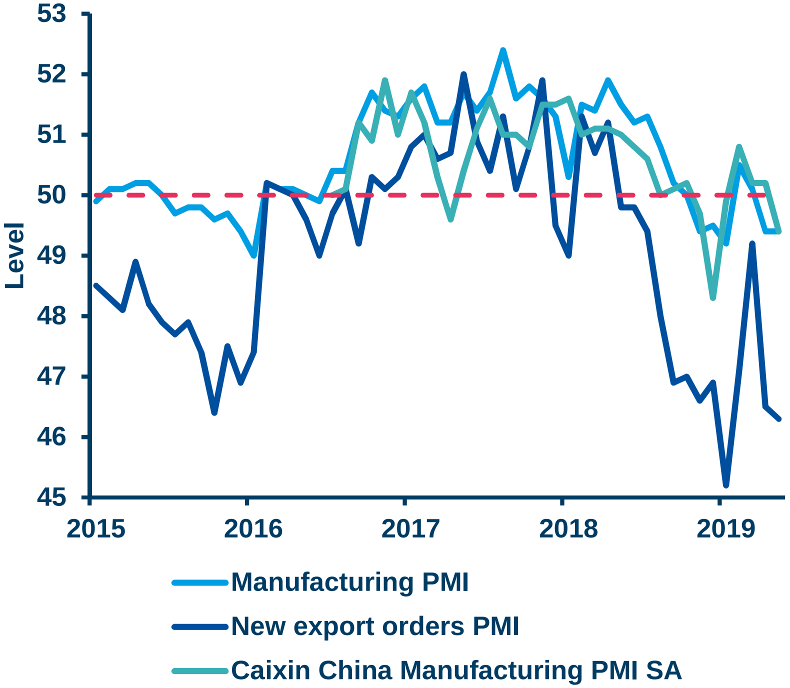
Source: CEIC, Amundi Research. Data as of 8 July 2019.

China: soft landing within reach amid further stimulus

Real GDP growth



Factory activity



» Although China GDP growth slipped in Q2 and the manufacturing sector contracted due to US tariffs, there were signs of stabilisation in industrial production, retail sales and investment. The slowdown in economic growth may lead the government to provide further monetary and fiscal stimulus.

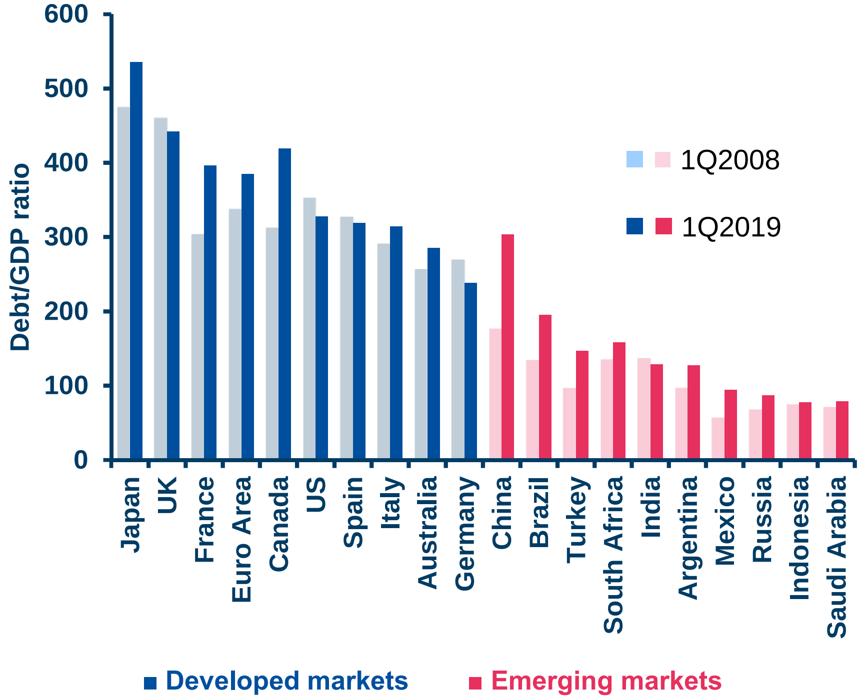
Source: Bloomberg, Amundi. Data as of 15 July 2019.

Source: National Bureau of Statistics, Amundi. Data as of 15 July 2019.

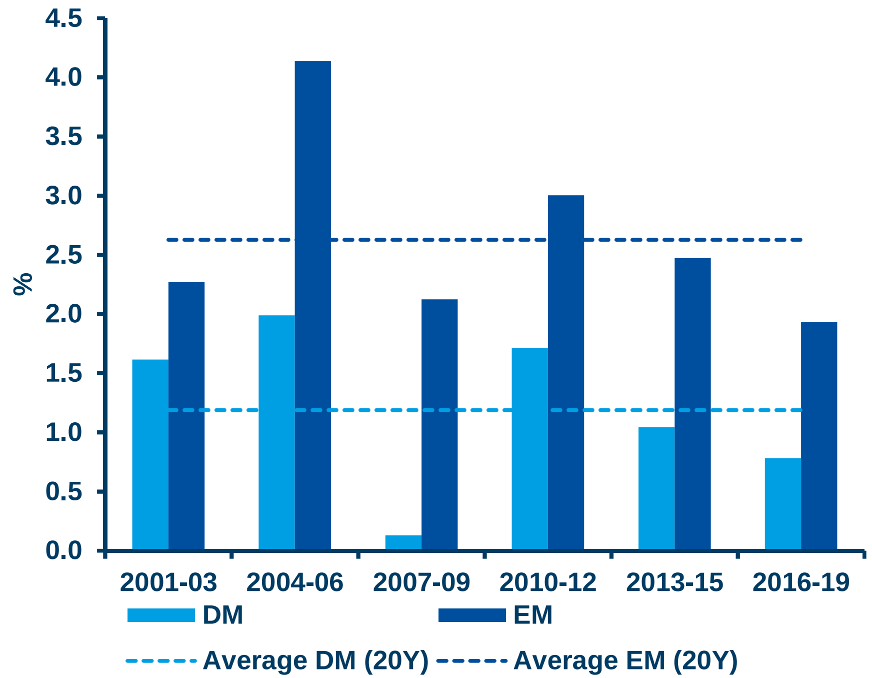
Macro Themes | Equities | Fixed Income | Currencies

Global debt high, productivity remains weak

Total debt/GDP



Growth of labor productivity per hour worked

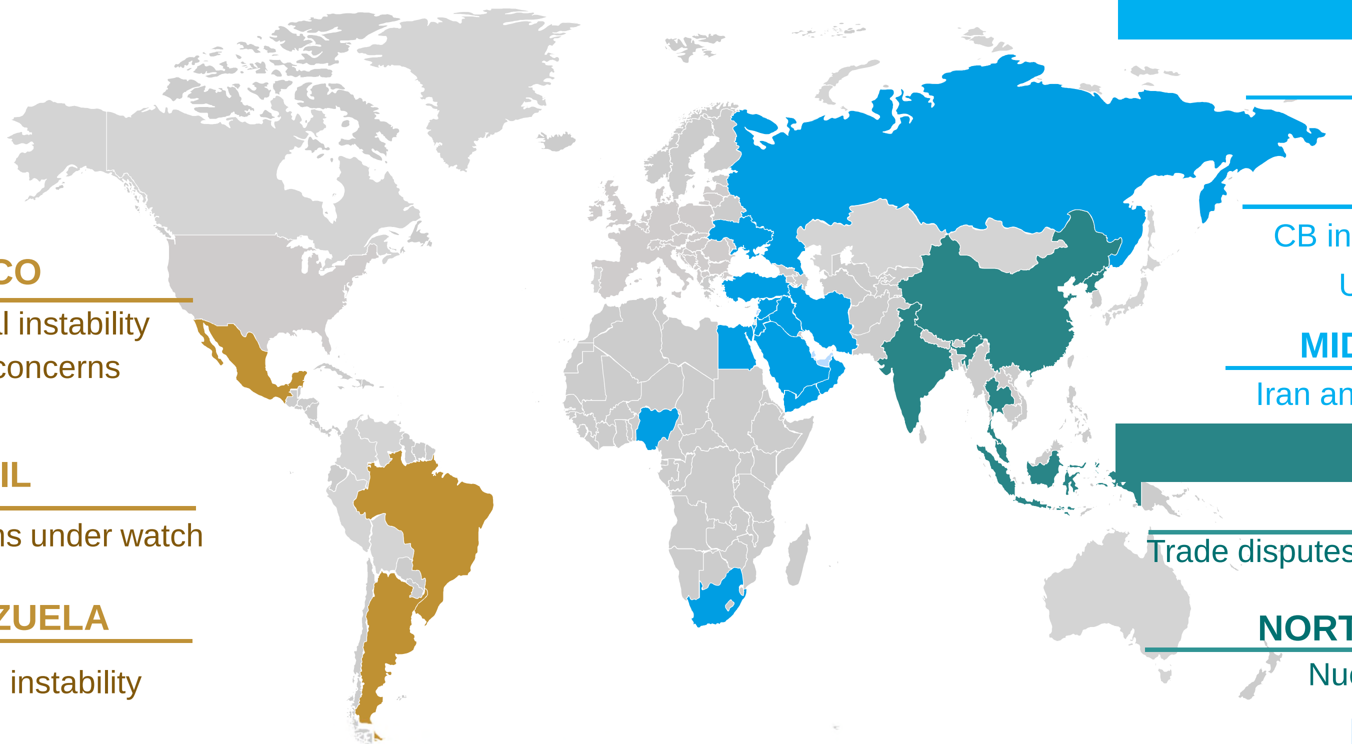


Debt as a percentage of GDP continued to grow for most EM countries after the Great Financial Crisis. Global productivity growth will continue to slow through 2019. This may explain, in part, why growth for the global economy is disappointing and overall financial vulnerability has increased in recent years.

Note: Total debt is the sum of government debt, household debt, financial sector debt and non-financial corporates debt. Source: Amundi elaboration on IIF data, as of 15 July 2019.

Source: The Conference Board Total Economy Database, Amundi. Data as of 2 May 2019.

Main (geo) political themes to watch in 2H 2019



LATIN AMERICA

MEXICO
Political instability
Trade concerns

BRAZIL
Reforms under watch

VENEZUELA
Political instability

EMEA

Russia
Sanctions

TURKEY
CB independence
US sanctions

MIDDLE EAST
Iran and oil tensions

ASIA

CHINA
Trade disputes with the US

NORTH KOREA
Nuclear threats

2019 Elections Calendar

February	March	April	May	July	October
Nigeria General	Thailand Parliamentary	Indonesia General	India Parliamentary	Greece Parliamentary	Argentina Presidential
	Turkey Locali	Ukraine Presidential	Philippines General		EAU Parliamentary
			South Africa General		

Source: Amundi. As of 18 July 2019.

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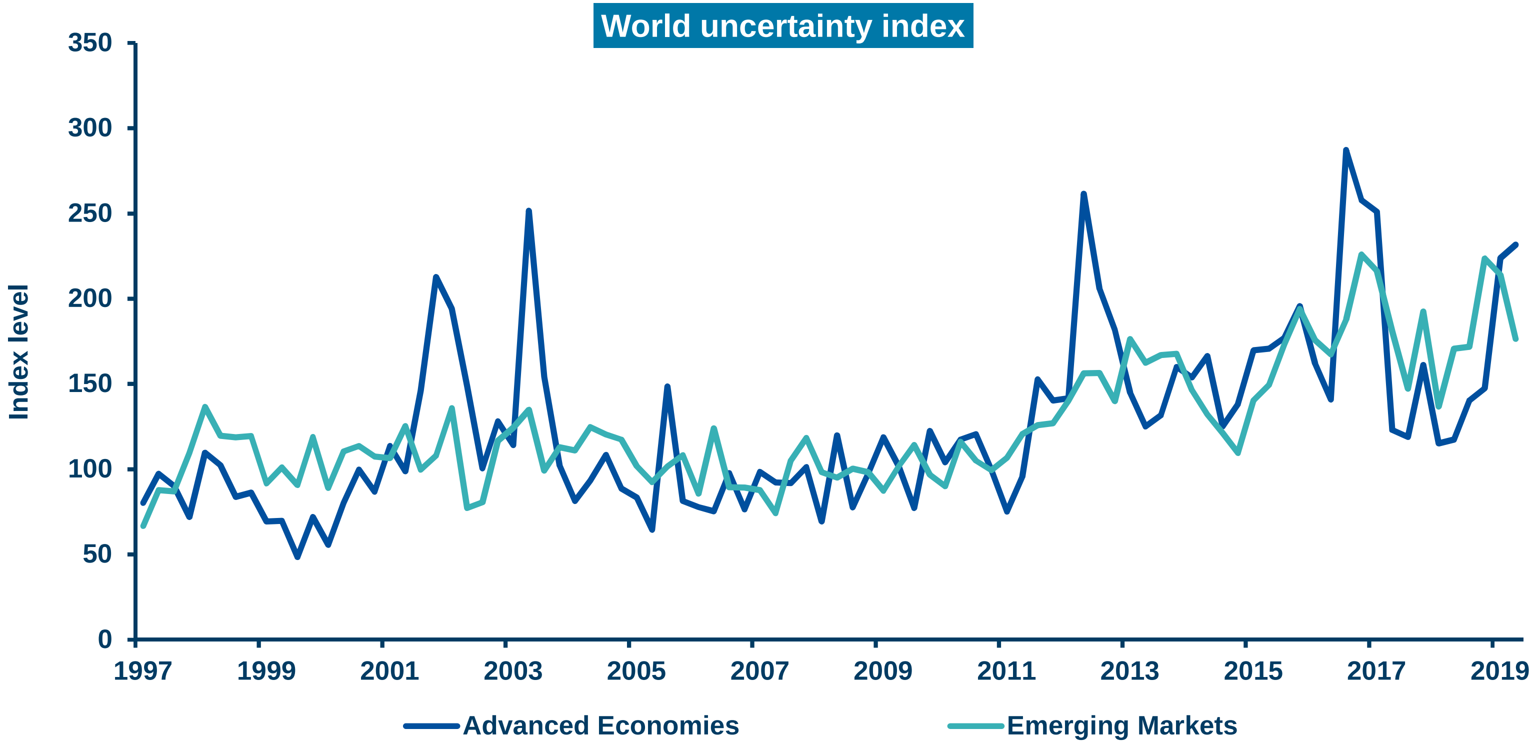
Macro Themes
Equities
Fixed Income
Currencies

Policy uncertainty set to persist



Global economic and policy uncertainties have increased remarkably during recent years. Global trade disputes, Gulf tensions, European fragmentation are some of the geopolitical events contributing to this trend.

Note: Total debt is the sum of government debt, household debt, financial sector debt and non-financial corporates debt. Source: Amundi elaboration on IIF data, as of 15 July 2019.

Source: The Conference Board Total Economy Database, Amundi. Data as of 2 May 2019.

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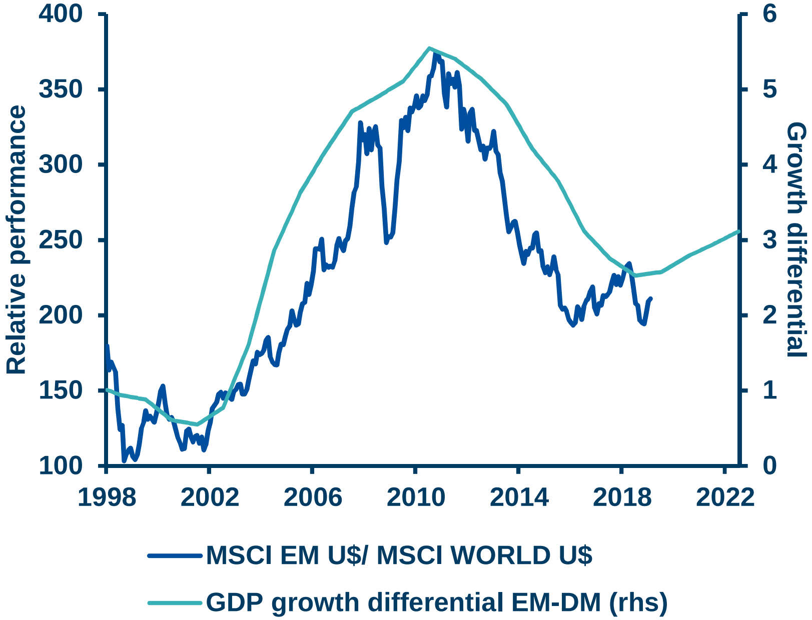
Three key themes for EM equities

FUNDAMENTALS	Growth differential, attractive valuations, decent earnings growth
DIVIDEND	Interesting dividend profile, a key theme to play in a late cycle
GOVERNANCE	Quality of governance constantly improving

Source: Amundi, as of 18 July 2019.

Equity outlook is constructive, trade uncertainty dulls it

EM vs DM and GDP growth differential



Trade war scenarios

Probability	Scenario
50%	A deal is signed before US elections (tensions on technology stays). Exiting tariffs stays but no escalation.
30%	No negotiations break through. Contained reaction from China. Import tariffs on $300bn comes in phases.
20%	Negotiations breaks down. Import tariffs on $300bn quickly implemented, rapid deterioration of bilateral relationships.

» Despite the strong returns seen so far (MSCI EM has performed +11.2% YTD), we expect further room for positive performance for the next few months, especially in case of a trade dispute relaxation and a US dollar weakening.

Source: Datastream, Amundi. Data as of 11 July 2019.

Source: Amundi. Data as of 11 July 2019.

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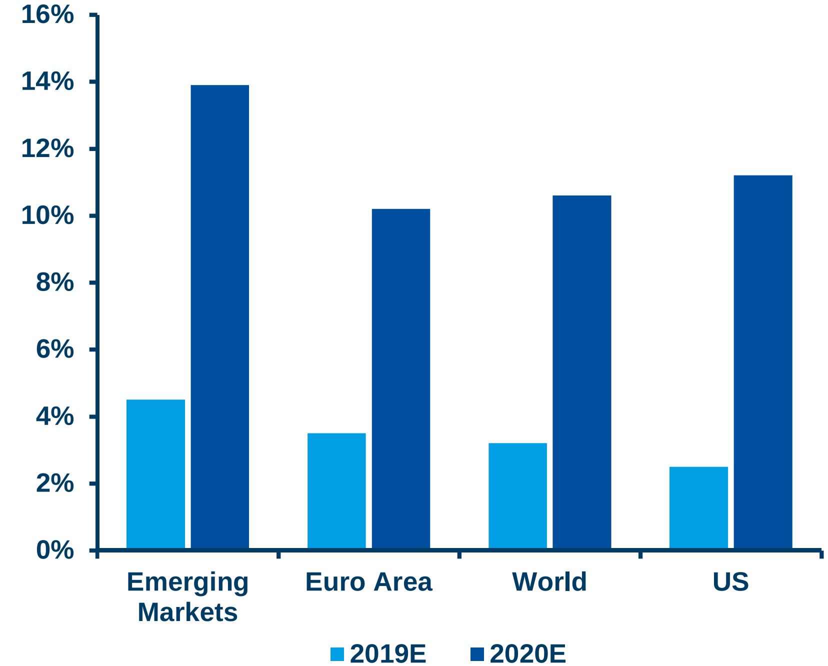
Macro Themes
Equities
Fixed Income
Currencies

Valuations are attractive, earnings growth is decent

EM vs US and Europe valuation metrics

MSCI earnings growth rate



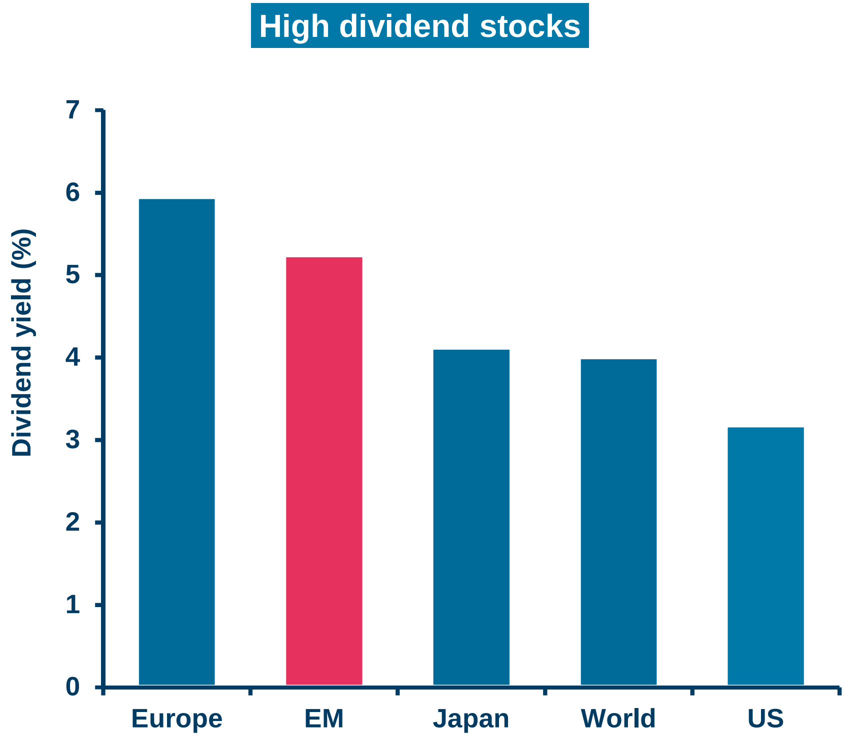
From a valuation perspective, EM still look attractive especially vs DM. Earnings in EMs are expected to grow at a decent rate through 2020, but focus on quality of earnings and sustainability of returns is key to maximising shareholder returns.

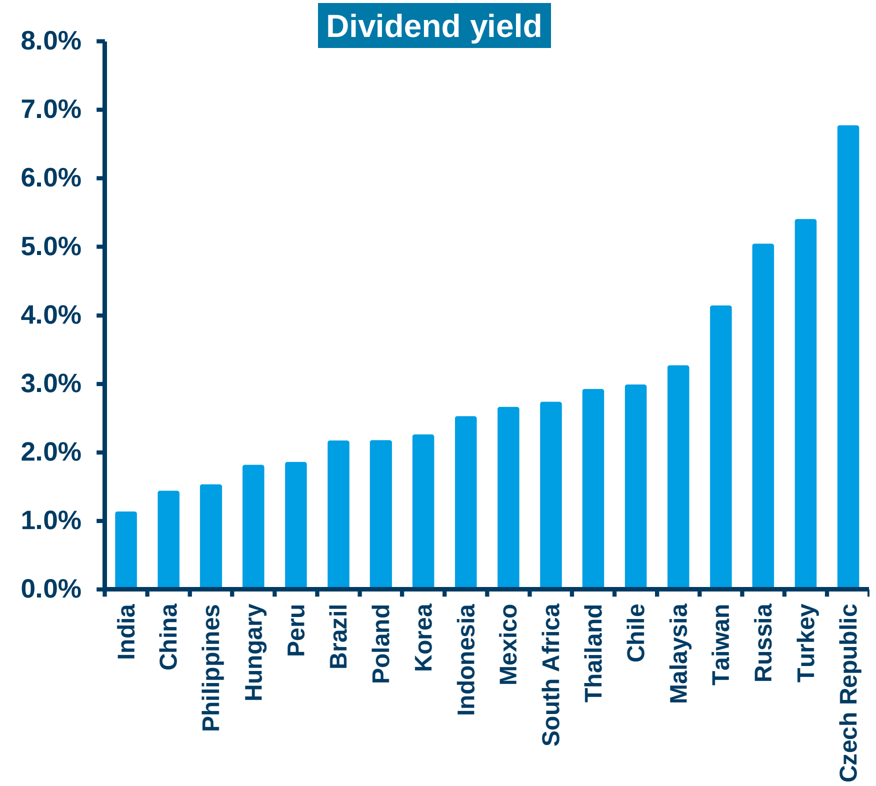
Source: Amundi Research. As of 20 March 2019.

Source: Yardeni Research, Thomson Reuters IBES, Amundi's elaborations. Data as of 17 July 2019.

Notes. Left Chart = valuations based on MSCI indexes. Price/earnings is the ratio of a market's current share price compared to its estimated per share earnings for the current year. Price/book value is the ratio of market price of a company's shares (share price) over its book value of equity. Price/sales is the ratio of a market's price to its revenue per share for the trailing 12 months. Price/cash flow compares a market's price to its level of annual cash flow.

EM equities can offer attractive dividend yields





» Improvement in corporate governance standards translates into attractive dividend payout from EM companies compared to stocks in some major developed economies. However, stock selection remains key to identify companies offering high dividend yields to shareholders..

Source: Bloomberg, Amundi's elaborations. Data as of 25 July 2019.

Source: Datastream, Amundi Research. As of 30 June 2019.

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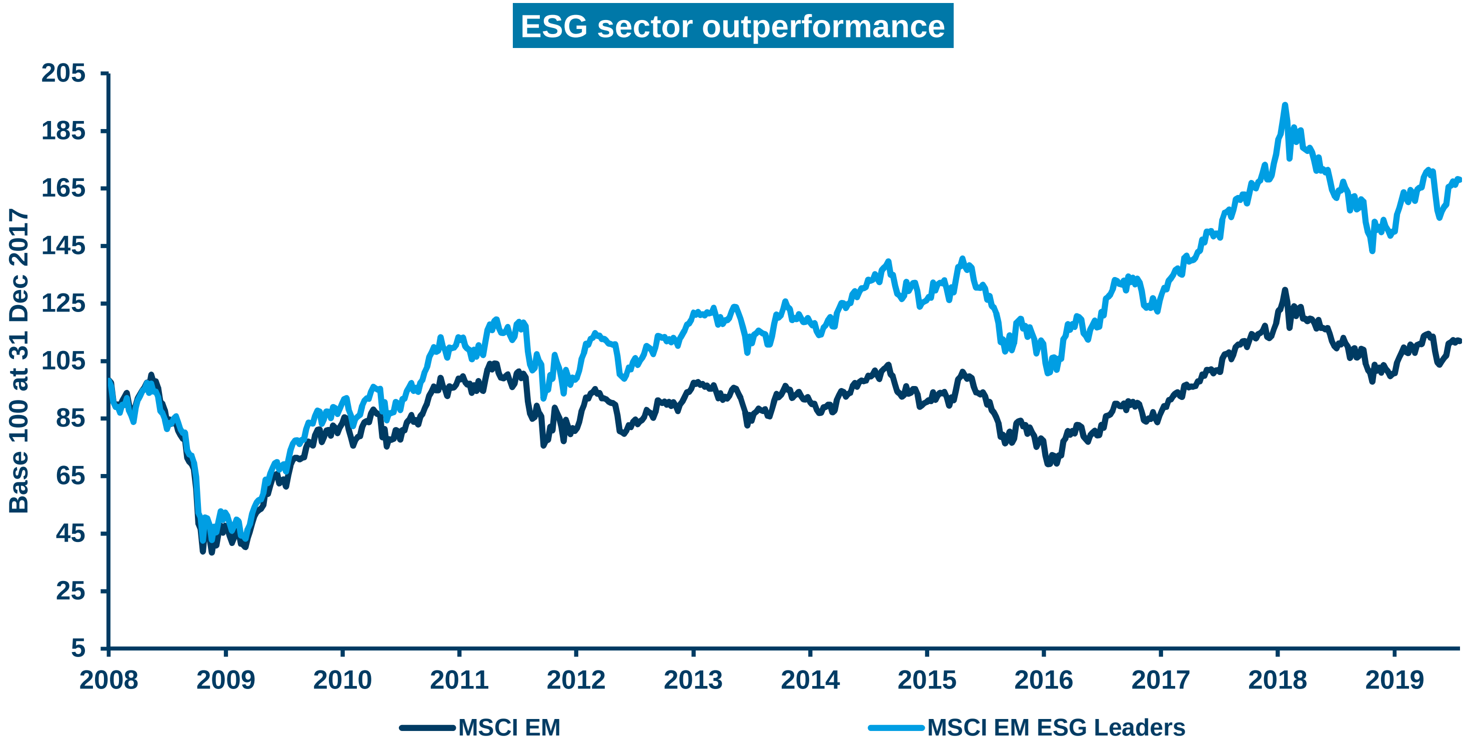
ESG makes business sense too



» The MSCI EM ESG Leaders index significantly outperformed the MSCI EM, highlighting the importance of better corporate governance and social responsibility.

Source: Amundi's elaborations on Bloomberg data. As of 25 July 2019.

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Major investment convictions in EM equities

Favoured Countries	Rationale
China	- Still attractive valuations - Markets have already priced in (somewhat) both the Chinese growth slowdown and the trade risks - We favour companies with sustainable dividend yields
Russia	- Attractive valuations and good dividend yields - Sanctions partially priced in - Oil price and economic policy may provide a further boost to growth - We favour tech companies and banks
India	- Political stability makes it possible for the reform process to be implemented - Financial sector looks interesting
Indonesia	- Economic fundamentals look quite solid - Policy continuity should grant further progress in economic reforms - Among the main beneficiary countries of easing financial conditions
Brazil	- Major step forward in pension reform (surprise on the upside) - Improved expectations that fiscal reform can be approved and implemented - Still cautious towards companies too much exposed to domestic growth

Source: Amundi, as of 19 July 2019.

Three key themes for EM bonds

SUPPORTIVE CONDITIONS

Improved market sentiment on the back of a more dovish Fed and anchored inflation

YIELD PREMIUM

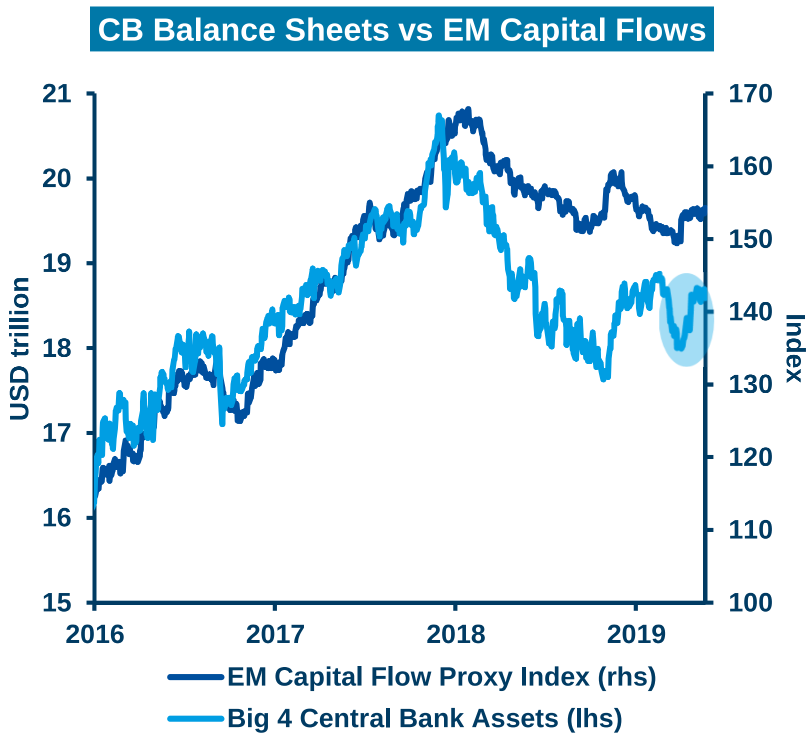
Interesting yield premium, but focus on countries' fundamentals and vulnerability

CURRENCY DYNAMICS

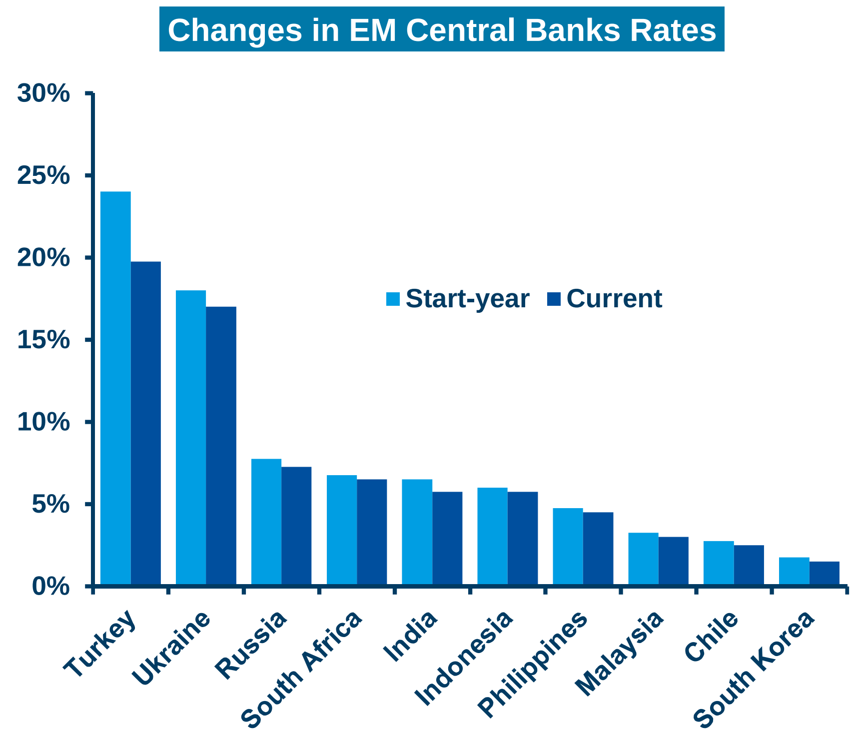
More positive EM currency dynamics should support also local EM bonds

Source: Amundi, as of 18 July 2019.

Easing of global financial conditions



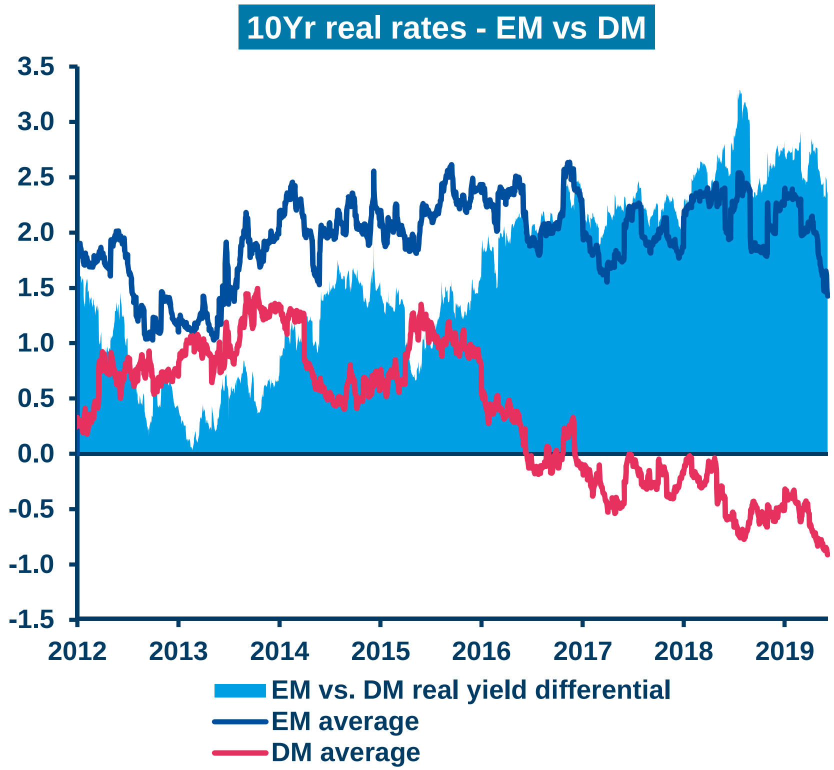
Source: Amundi's elaboration on Bloomberg data. As of 18 July 2019. Central Banks' balance sheet for Fed, ECB, BoJ, BPoC.

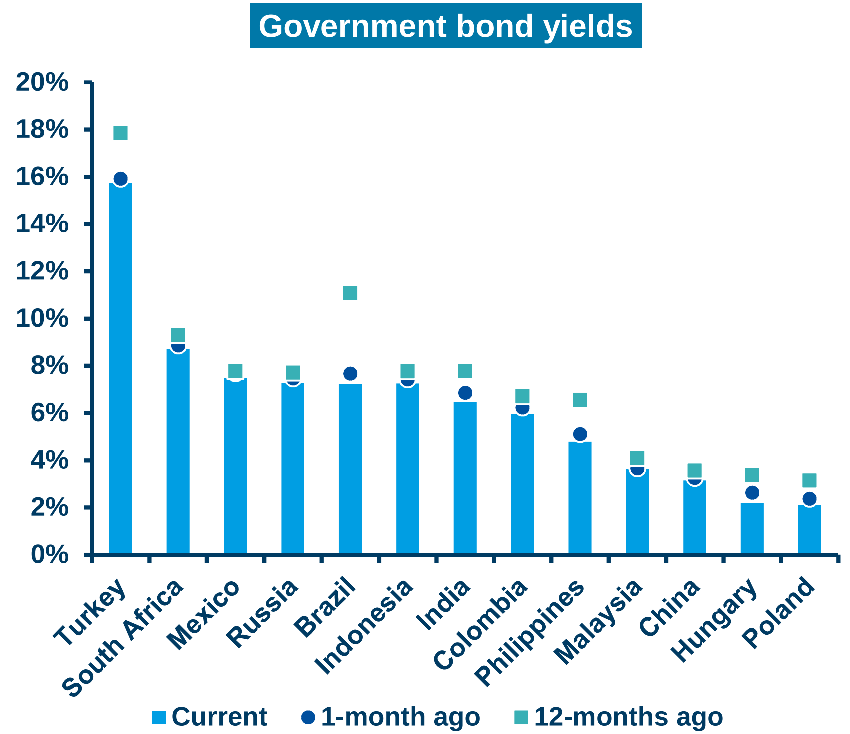


Source: Amundi's elaborations on Bloomberg data. As of 18 July 2019..

» Easing in global financial conditions gave EM central banks a very good reason to lower their official rates in order to sustain growth without triggering an exodus of capital. An overall benign inflation environment may allow monetary authorities to ease policy further.

EM bond: attractive vs DM, Fed and USD key tailwinds



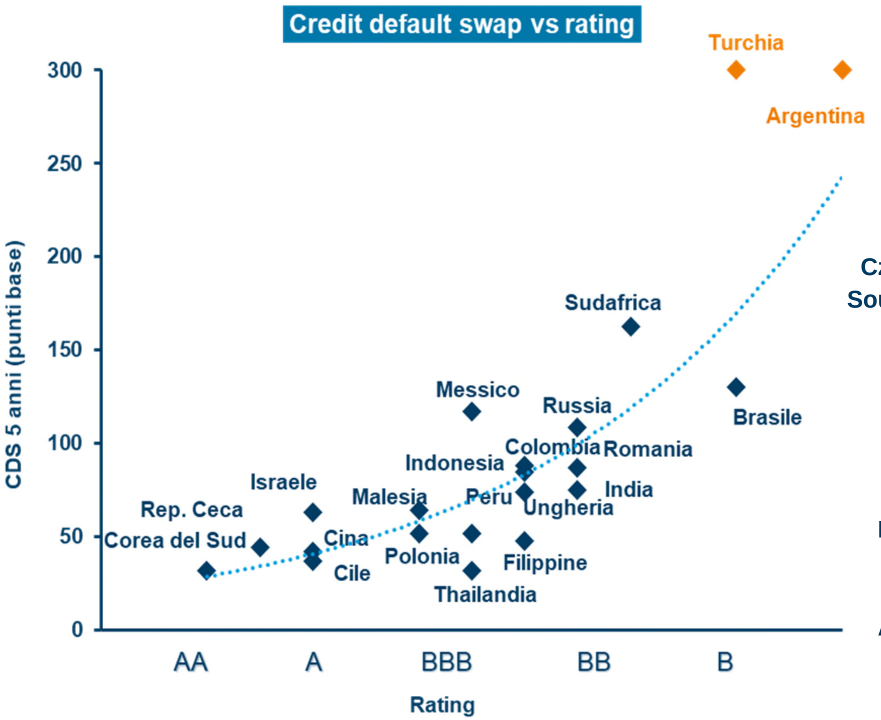


» Real rates are significantly higher in EM vs DM. This element combined with a dovish Fed, a possible stable or weaker dollar and an anchored inflation, is a key tailwind for EM debt.

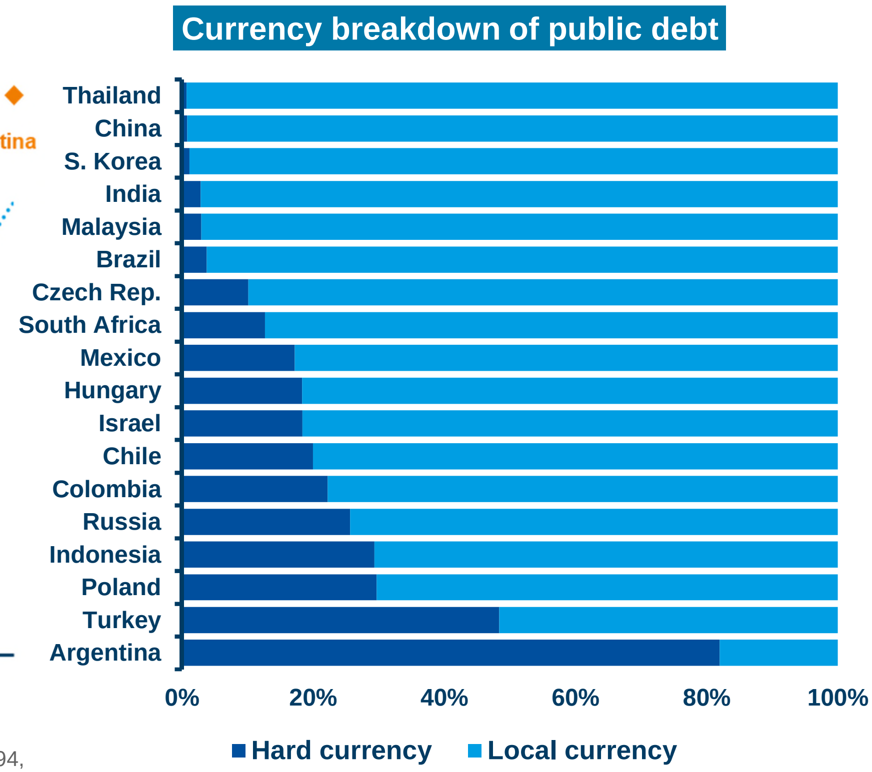
EM: Brazil, Chile, China, Colombia, Czech Rep., Hungary, India, Indonesia, Israel, Malaysia, Mexico, Philippines, Poland, Romania, Russia, South Africa, South Korea, Thailand, Turkey. DM: Australia, Canada, Eurozone, Japan, New Zealand, Norway, Sweden, Switzerland, UK,US. Source: Bloomberg, Amundi. Data as of 8 July 2019.

Source: Amundi's elaborations on Bloomberg data. As of 22 July 2019.

Country’s solidity: a key element for selection



Notes: Turkey and Argentina are out of y-axis scale. CDS 5Y bps are 411 and 894, respectively.

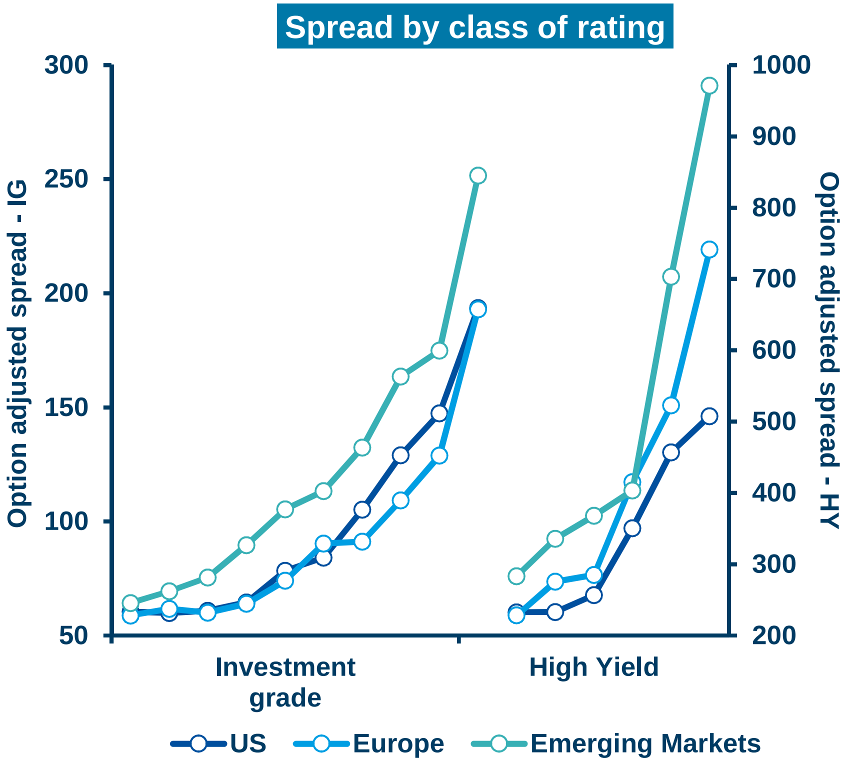


» A key element for selection is to assess the strength of country's financial position (and of single bond issuers, too): some emerging markets are less risky than others as they are less exposed to currency and liquidity crisis or to a strengthening of the US dollar. Emerging countries with low USD denominated debt are less exposed to forex movements.

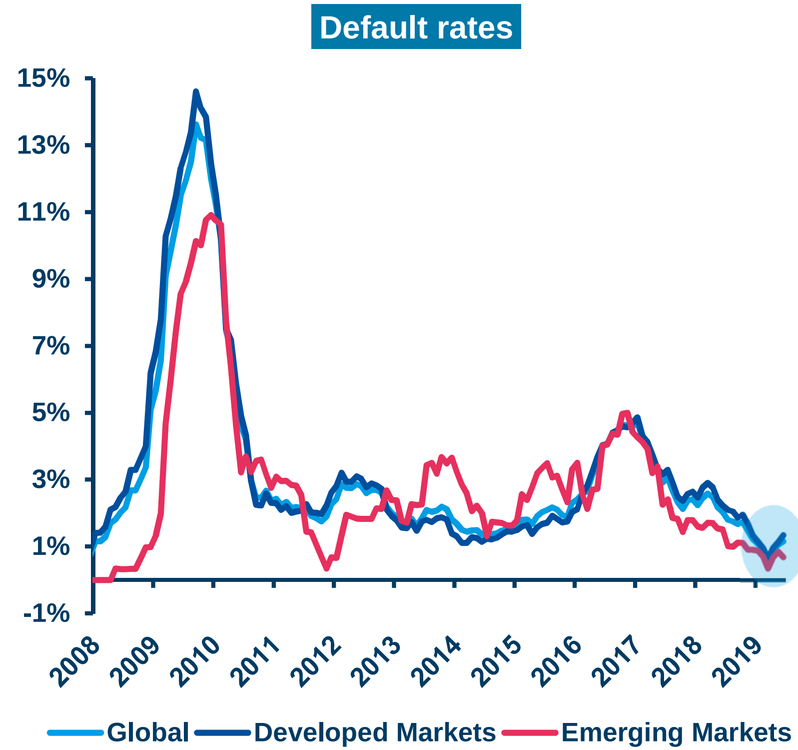
Source: Amundi’s elaborations on Bloomberg data. As of 11 July 2019.

Source: Amundi’s elaborations on IIF data. As of 15 July 2019.

Potential in EM credit, but watch out for leverage



Source: Amundi's elaborations on BofAML data. As of 19 July 2019.



Source: Amundi's elaborations on BofAML data. As of 9 July 2019.

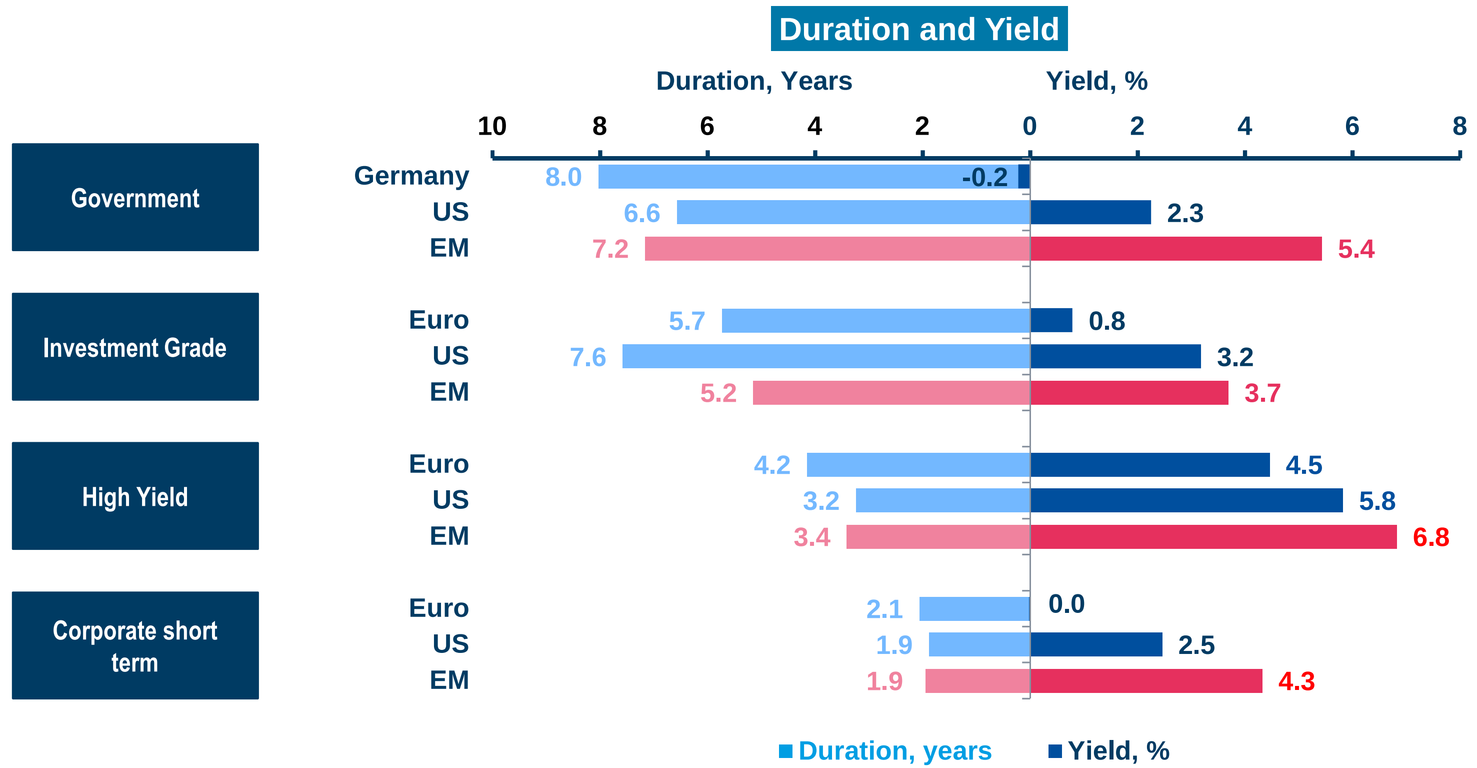
Emerging corporate bonds provide relatively more attractive spreads than DM along the entire class of ratings. EM default rates are also positioned in a good spot, better than DM. However, caution is warranted in the highly indebted segments, amid a global economic slowdown.

Macro Themes
Equities
Fixed Income
Currencies

Amundi ASSET MANAGEMENT

Macro Themes
Equities
Fixed Income
Currencies

EM bond offers “premium”, but selectivity is needed



Yield is rapidly evaporating in DM markets, leaving EM fixed income assets to represent the yield oasis for fixed income investors.

See notes at the end of this presentation for indices details. Source: Amundi analysis on Bloomberg. Data as of 29 July 2019. **Past performance is no guarantee of future results.**

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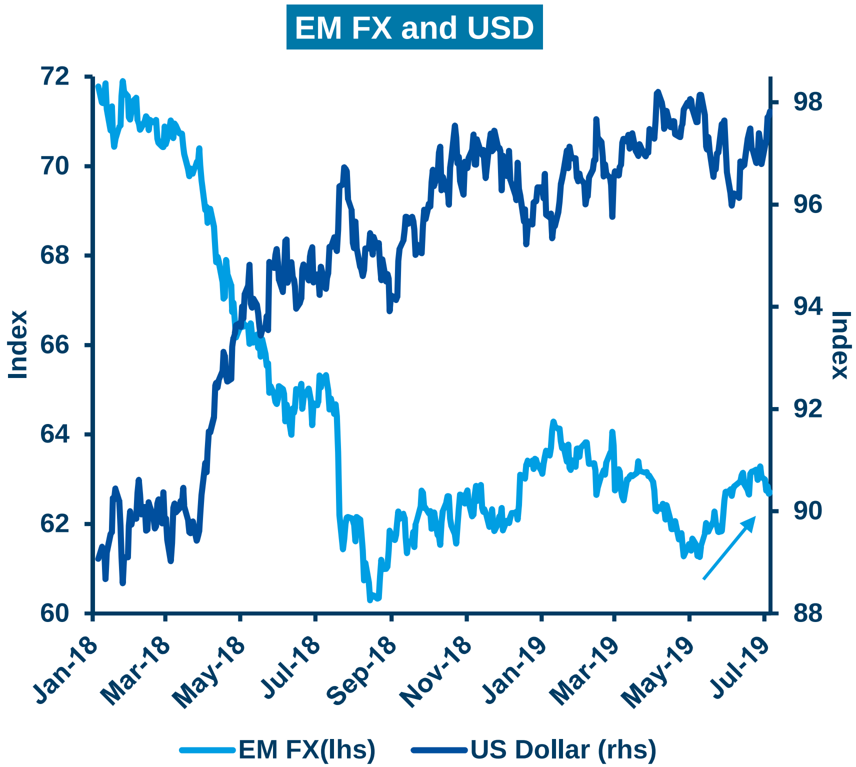
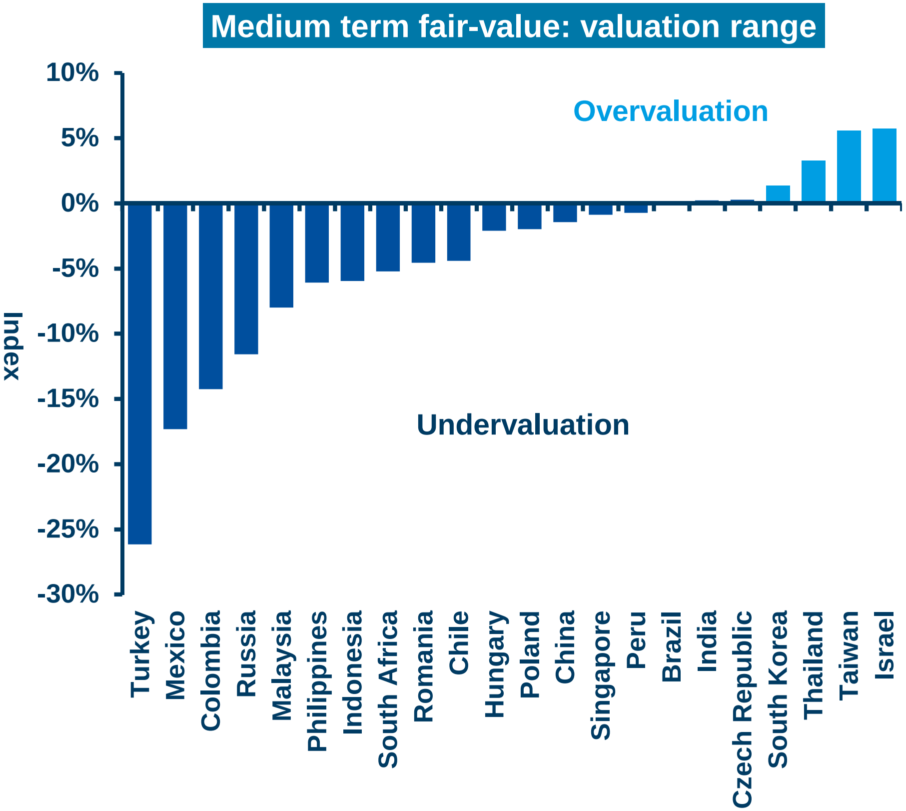
Potential upside for local currencies, cautious in the short term





EM currency should benefit from more dovish central banks across the globe and USD stabilisation. Most of the EM FX are undervalued based on traditional models. Hence we see potential for currencies in the medium-term. However, in the short-term given the materialising economic slowdown, we remain cautious on EM FX.

Source: Amundi's elaborations on Bloomberg data. As at 25 July 2019.

Source: Amundi Research's elaboration on Bloomberg data. As of 15 July 2019. Fair value calculated as an average of different measures (productivity, Purchasing Power Parity, Real Effective Exchange Rate).

Major investment convictions in EM bonds and FX

Favoured Countries	Rationale
Brazil	- Positive on all asset classes (local and hard currency debt, credit, FX) - Major step forward in pension reform (surprised on the upside) - Preferred sectors: financials, food, energy, utilities
Indonesia	- Positive on all asset classes (local and hard currency debt, credit, FX) - Attractive valuations, solid fiscal balance - Preferred sector: utilities
Ukraine	- Positive on almost all asset classes (local and hard currency debt, credit) - Attractive premium yields, strong external support (IMF) - Preferred sectors: consumer good, metals and mining
Serbia	- Positive mainly on local debt and FX - Solid fiscal balance (debt reduced to 52% of GDP) - Improving market openness and foreign direct investment
Russia	- Positive mainly on local debt - Macroeconomic fundamentals remain strong - Oil price may provide further support

Source: Amundi, as of 22 July 2019.

Key take aways

	EMERGING MARKETS	
	EM EQUITIES	**EM BONDS**
KEY THEMES	- **Economic fundamentals** - **Valuations, earnings and dividend** - **Corporate Governance**	- **Fed/central banks easing stance** - **Yield premium and inflation** - **Currency dynamics**
HOW TO PLAY?	- **Global**: diversified and selective approach with focus on domestic growth drivers - **Asia**: valuations and fundamentals, trade risk constantly monitored - **Latin America**: resilient growth stories, political stability and reforms	- **Hard currency bond:** attractive carry, better risk-return balance - **Aggregate**: opportunity and diversification enhancement - **Local currency bond**: high yield premium, more positive currency dynamics for the mid-term

Source: Amundi, as of 22 July 2019.

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Recent EM Publications

Available at the Amundi Research Center: http://research-center.amundi.com/

Date	Title
1 July 19	Emerging markets: vulnerability and contagion risks... Fragile vs. Anti-fragile countries
1 July 19	How to differentiate emerging countries? New approaches for classification and typology
12 June 19	Investing in the changing shape of Emerging Markets
25 June 19	Turkey: inflation, exchange rate's pass-through and monetary policy
29 May 19	Indian elections: political continuity is positive but reform is what matters most
14 May 19	US-China trade: continuing the talks while making the war
10 May 19	Economic crisis and political risk batter Argentina. Way out or opportunity?
29 April 19	Emerging market green bonds - report 2018

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Indexes reference & definition

Bond Indexes (JPMorgan)

Sov. HC HY = JPM EMBI Global Diversified High Yield; Sov. HC = JPM EMBI Global Diversified Composite; Sov. HC IG = JPM EMBI Global Diversified Inv. Grade; Local FX = JPM GBI-EM Global Diversified FX Return; Local HC = JPM GBI-EM Global Diversified Composite Unhedged USD; Local Euro = JPM GBI-EM Global Diversified FX Return in EUR; Local Rates = JPM GBI-EM Global Diversified Composite LOC; Corp. HC HY = JPM Corporate Broad EMBI Diversified High Yield; Corp. HC = JPM Corporate EMBI Broad Diversified Composite; Corp. HC IG = JPM Corporate Broad EMBI Diversified High Grade.

Equity Indexes (MSCI)

Argentina = MSCI Argentina Net Total Return; Brazil = MSCI Brazil Net Total Return; China = MSCI China Net Total Return; Czech Republic = MSCI Czech Republic Net Total Return; Colombia = MSCI Colombia Net Total Return; Egypt = MSCI Egypt Net Total Return; India = MSCI India Net Total Return; Indonesia = MSCI Indonesia Net Total Return; Mexico = MSCI Mexico Net Total Return; Peru = MSCI Peru Net Total Return; Philippines = MSCI Philippines Net Total Return; Poland = MSCI Poland Net Total Return; Russia = MSCI Russia Net Total Return; South Africa = MSCI South Africa Net Total Return; South Korea = MSCI Korea Net Total Return; Taiwan = MSCI Taiwan Net Total Return; Thailand = MSCI Thailand Net Total Return; Turkey = MSCI Turkey Net Total Return; Emerging Markets = MSCI Emerging Net Total Return.

Yield & Duration Indexes

German Govt Bonds = JP Morgan GBI Germany Index; U.S. Govt Bonds = JPMorgan GBI U.S. Index; Euro IG Bonds = Bloomberg Barclays Pan European Aggregate Corporate; U.S. IG Bonds = Bloomberg Barclays U.S. Aggregate Credit; Euro HY bonds = Bloomberg Barclays Pan-European High Yield ISMA; U.S. HY Bonds = Bloomberg Barclays U.S. Corporate High Yield; EMBI Div = JPMorgan EMBI Global Diversified Blended; CEMBI BD = JPMorgan CEMBI Div Broad Composite Blended; CEMBI BD HY = JPMorgan CEMBI Broad Div High Yield; Euro Corp Short Term = Bloomberg Barclays Euro Corporate 1-3Yr; U.S. Corp Short Term = Bloomberg Barclays U.S. Corporate 1-3Yr; EMBI Short Term = JPMorgan EMBIG Diversified 1-3Yr.

Definitions

- Basis points: one basis point is a unit of measure equal to one one-hundredth of one percentage point (0.01%).
- Correlation: The degree of association between two variables; in finance, it is the degree to which assets or asset class prices have moved in relation to each other. Correlation is expressed by a correlation coefficient that ranges from -1 (perfectly negative correlated) through 0 (absolutely independent) to 1 (perfectly positive correlated).
- Credit spread: differential between the yield on a credit bond and the Treasury yield. The option-adjusted spread is a measure of the spread adjusted to take into consideration possible embedded options.
- Duration: a measure of the sensitivity of the price (the value of principal) of a fixed income investment to a change in interest rates, expressed as a number of years.
- FX: FX markets refer to the foreign exchange markets where participants are able to buy and sell currencies.
- Volatility is a statistical measure of the dispersion of returns for a given security or market index. Usually, the higher the volatility, the riskier the security/market.

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