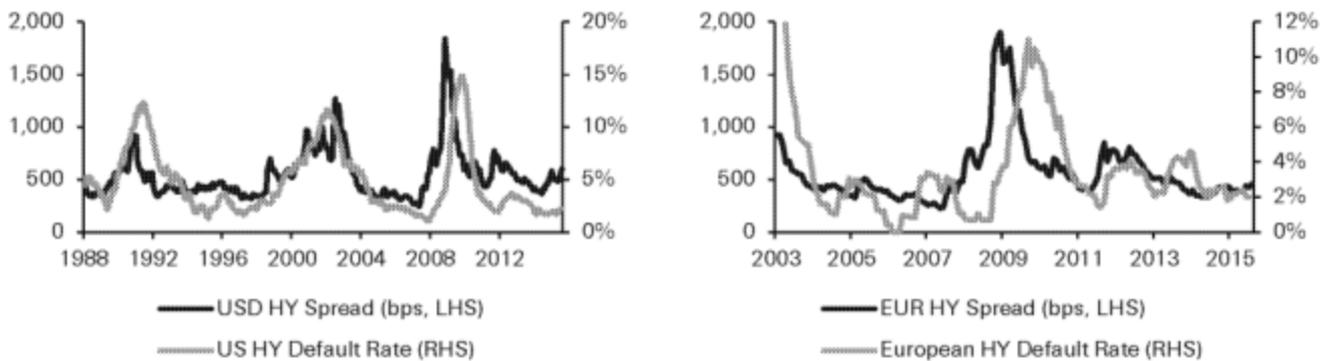




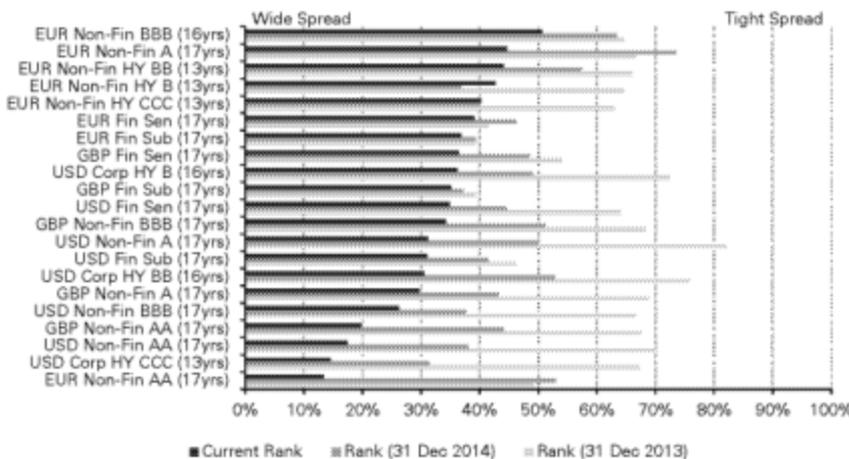
Figure 7: HY Credit Spreads vs. HY Default Rates – US (left ) and Europe (right)



Source: Deutsche Bank, Bloomberg Finance LLP, Mark-it Group

The good news is that spreads are certainly not tight. Figure 8 shows our often used percentiles chart showing where various rating bands are relative to their own history in the EUR, GBP and USD markets. We also show where we were at the start of 2014 and 2015 for comparison.

Figure 8: iBoxx Index Current Percentiles vs. YE 2013 and YE 2014



Source: Deutsche Bank, Mark-it Group

Only EUR BBBs have been tighter than current levels for more than half the time through history. All other sub sectors (by rating band) of the three markets have been wider than current levels for at least half the time through history. USD credit spreads are starting to reach levels that we've only exceeded when in a real crisis. Figure 9 shows the percentile spread history of different USD rating and maturity bands with the current level marked as a line. So it basically shows the percentage of time spent at each spread level through time.