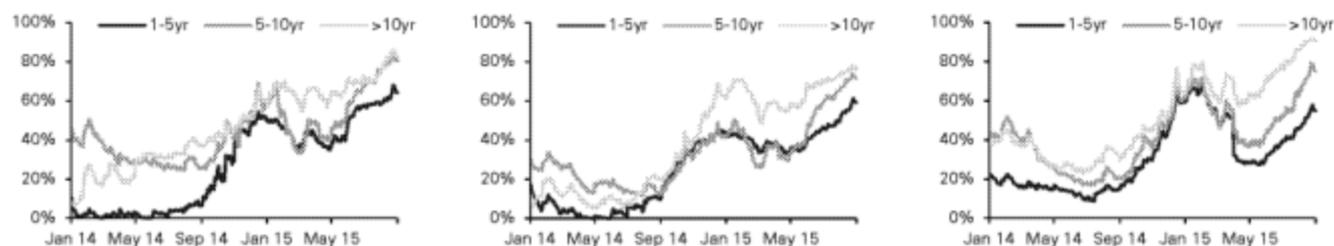




Figure 35: USD AA (left), Single-A (middle) and BBB (right) Percentile Histories



Source: Deutsche Bank

So this analysis generally backs up what we saw when looking at the curves there has been weakness in the long-end with USD BBBs the worst impacted part of the analysed credit market.

The edge of normality - Widest decile only in a crisis

As a final point it's also worth highlighting the fact that we only tend to get into the widest decile during a significant crisis around the peak of the default cycle and therefore the relative spread differential between the all-time tightes and the 90th percentile is generally much lower than the differential between the 90th percentile and the all-time wides. This point is shown in Figure 36-Figure 38. In fact it's only in the EUR market where this isn't true of the long-end. So with most of the EUR long-end buckets and all of the USD long-end buckets in the widest quartile and the widest decile generally only occurring during the peak of the default cycle we'd argue that long-end spreads in EUR and USD are around the wides of normal (non-crisis) times.

Figure 36: EUR IG Percentiles – 0%-90% Spread Range vs. 90%-100% Spread Range

	AA					A					BBB					Non-Fin				
	1-3yr	3-5yr	5-7yr	7-10yr	>10yr	1-3yr	3-5yr	5-7yr	7-10yr	>10yr	1-3yr	3-5yr	5-7yr	7-10yr	>10yr	1-3yr	3-5yr	5-7yr	7-10yr	>10yr
Current	54	72	90	92	111	72	88	112	126	133	113	140	176	196	237	86	107	132	135	154
Tight	13	11	20	11	32	17	17	31	38	38	34	47	59	59	99	22	33	48	40	37
Median	48	55	72	71	90	73	89	115	107	111	158	161	158	196	183	90	110	123	117	113
Wide	370	363	386	373	354	628	604	616	660	337	740	638	757	810	503	380	409	441	393	314
90th Percentile	150	158	162	176	168	238	224	248	268	211	392	368	368	374	345	181	186	193	189	195
0%-90% Spread Range	137	147	142	165	136	221	207	217	231	173	358	320	309	315	246	159	153	144	149	159
90%-100% Spread Range	220	205	224	197	186	389	380	368	391	127	348	270	389	436	158	199	223	248	204	118

Source: Deutsche Bank

Figure 37: GBP IG Percentiles – 0%-90% Spread Range vs. 90%-100% Spread Range

	AA			A			BBB			Non-Fin		
	1-5yr	5-10yr	>10yr	1-5yr	5-10yr	>10yr	1-5yr	5-10yr	>10yr	1-5yr	5-10yr	>10yr
Current	99	108	122	135	143	174	205	228	222	149	176	182
Tight	37	50	60	50	60	74	75	98	112	47	80	75
Median	76	109	118	117	149	153	196	233	199	119	156	169
Wide	494	779	385	985	1014	537	1804	1040	754	401	523	829
90th Percentile	230	264	205	381	367	245	594	498	316	210	261	351
0%-90% Spread Range	193	214	145	331	307	171	519	399	204	163	181	275
90%-100% Spread Range	265	515	160	804	648	291	1010	544	438	190	262	478

Source: Deutsche Bank