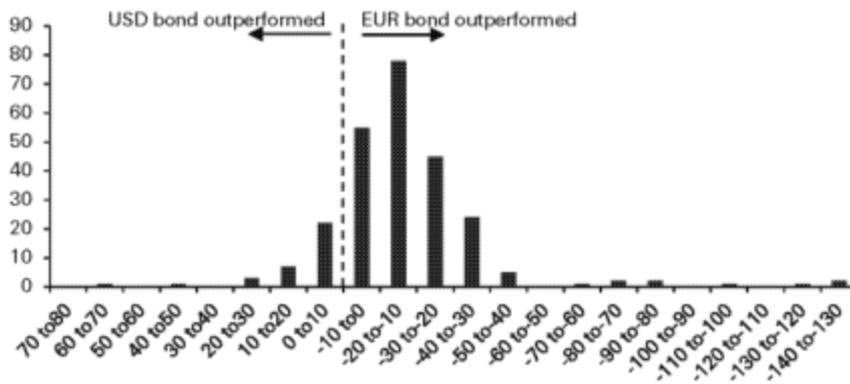




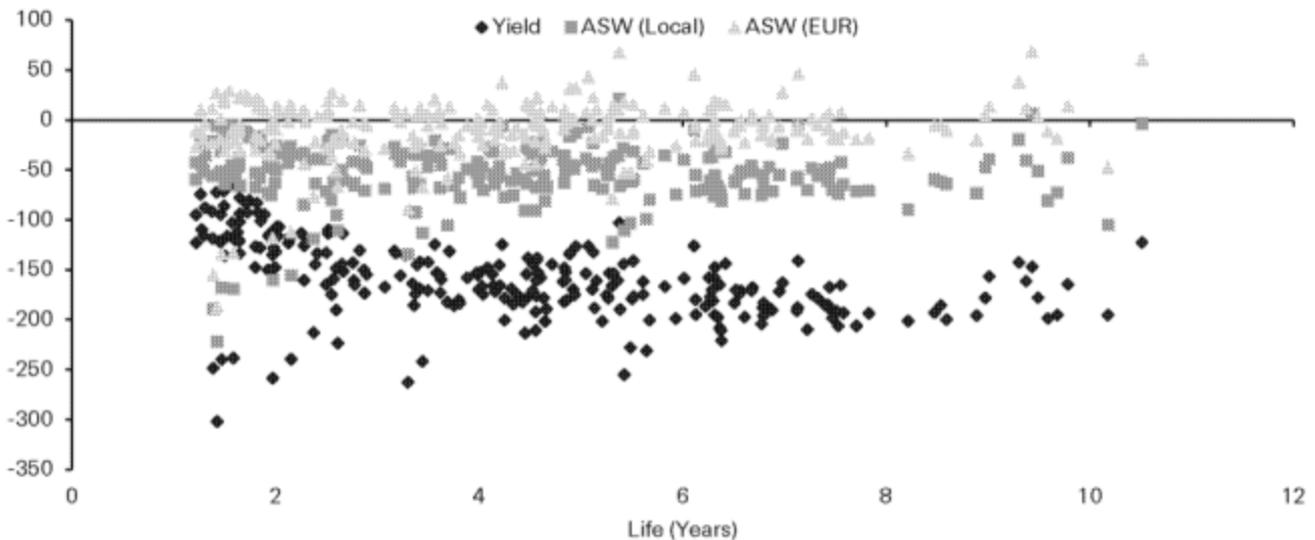
Figure 43: Distribution of Relative Bond Performance (EUR vs. USD) of our Bond Pairs since 27 May



Source: Deutsche Bank, Bloomberg Finance LLP

Given this relative strength in performance in Figure 44 we update our scatter from the May note showing the relative value between the bond pairs. When we published around 70% of the EUR bonds offered wider spreads than the equivalent USD bond when we look at ASW in EUR. This has now dropped to below 40%. So whilst it wouldn't be fair to say that on this measure EUR credit looks expensive it's certainly becoming more difficult to own EUR credit over USD credit, particularly when taking into account the headline yield levels.

Figure 44: EUR-USD Bond Yield and Spread Differentials



Source: Deutsche Bank, Bloomberg Finance LLP

We now turn our attention to the relative value between the EUR market and the GBP market. We can see in Figure 45 that as we saw with the USD market, the EUR market has generally outperformed the GBP market in the past three months.