

Glossary

Explanation of terms

The **Bank of Japan (BOJ)** is the central bank of Japan.

Credit-risk metrics are measures used to assess the credit risk of individual assets, sectors or markets.

Default is the failure to meet the legal obligations of a loan, for example when a corporation or government fails to pay a bond which has reached maturity. A national or sovereign default is the failure or refusal of a government to repay its national debt.

A **developed market (DM)** is a country fully developed in terms of its economy and capital markets.

An **emerging market (EM)** is a country that has some characteristics of a developed market in terms of market efficiency, liquidity and other factors, but does not meet standards to be a developed market.

The Dow Jones **EURO STOXX 50 Index** is a market capitalization-weighted stock index of 50 large, blue-chip companies operating within Eurozone nations.

The **European Central Bank (ECB)** is the central bank for the Eurozone's single currency, the euro.

Fundamentals are the qualitative and quantitative information about a company, economy, security or currency.

A **hard currency**, usually from a highly industrialized country, is widely accepted around the world as a form of payment for goods and services, e.g. U.S. dollar, the euro and the British pound.

High-yield is often used as a shorthand for high-yield bonds.

High-yield (HY) bonds are high-paying bonds with a lower credit rating than investment-grade corporate bonds, Treasury bonds and municipal bonds.

An **investment grade (IG)** rating by a rating agency such as Standard & Poor's indicates that a bond has a relatively low risk of default.

Liquidity refers to the degree to which an asset or security can be bought or sold in the market without affecting the asset's price and to the ability to convert an asset to cash quickly.

Mergers and acquisitions (M&A) are two key methods of corporate consolidation: A merger is a combination of two companies to form a new company, while an acquisition is the purchase of one company by another in which no new company is formed.

A **multiple** is a ratio that is used to measure aspects of a company's well-being by setting various of the company's metrics against each other and thereby building indicative ratios.

Quantitative easing (QE) is an unconventional monetary policy in which a central bank purchases securities in order to lower interest rates and increase the money supply to promote increased lending and liquidity.

Reallocation refers to the movement of an investor's funds between or within asset classes.

