

Markit Update: Markit CDX NA HY index roll

The final membership of the new Markit CDX NA HY index will be announced this week. The following report outlines the changes and provides some colour on the constituents. The Markit CDX NA HY 16 will start trading on 28 March 2011. As of this roll, the Markit CDX NA HB (high beta) index will no longer roll.

Starting this roll the name changes incorporate a rules-based approach that uses DTCC Trade Information Warehouse data on market activity into the addition and removal process for the Markit CDX NA HY. The goal is to provide more transparency and objectivity in the roll process. More details on the methodology can be found at www.markit.com. Generally the construction process starts by determining which current constituents are no longer eligible going forward based on ratings criteria, amount of debt outstanding, corporate actions or where an actual or pending action by an ISDA Determinations Committee (such as succession or credit event). An "eligible rating" means:

- (7B) rating or below by three rating agencies (i.e., a rating in the BBB/Baa rating category by one of S&P, Moody's or Fitch and in the BB/Ba rating category by the other two) or lower,
- (5B) rating or below by two rating agencies (i.e., a rating in the BB/Ba rating category by S&P, Moody's and Fitch and a rating in the BBB/Baa rating by the other one) or lower
- (2B) rating or below by one rating agency (i.e., a rating in BB/Ba rating category by one of S&P, Moody's and Fitch and no rating by the other(s) or lower.

After the credits for exclusion are identified, the selection process for new additions follows an algorithm that is designed to replicate the sector and rating weights of the Markit iBoxx USD Liquid High Yield Index over the next upcoming rolls. Liquidity rankings based on DTCC Trade Information Warehouse data is used to determine the additions subject to the sector and ratings considerations.

The fixed coupon for all tenors of the Markit CDX NA HY index is 500 basis points.

Markit CDX NA HY 16

Additions

Markit Ticker	Name	5Y CDS Spread	6M Change	Liquidity Percentile	Reason
MBI-InsCorp	MBIA Insurance Corporation	1927	-1832	100%	Sector Deficiency
PMI	The PMI Group, Inc.	807	-33	96%	Sector Deficiency
KINMKS	Kinder Morgan Kansas, Inc.	137		54%	Sector Deficiency
PXD	Pioneer Natural Resources Company	121	-60	39%	Sector Deficiency
MGIC	MGIC Investment Corporation	383	-142	92%	Sector Deficiency
UHS	Universal Health Services, Inc.	142	-126	70%	Sector Deficiency
PKD	Parker Drilling Company	311	-158	4%	Sector/Ratings Deficiency
ALCLCT-US	Alcatel-Lucent USA Inc.	381	-252	28%	Sector/Ratings Deficiency
OLN	Olin Corporation	139	8	68%	Sector/Ratings Deficiency
	Average	483			

5Y CDS Spread is for March 9 2011

Removals

Markit Ticker	Name	5Y CDS Spread	6M Change	Liquidity Percentile	Reason
MBI	MBIA Inc.	734	-196	97%	More liquid affiliate
TSN	Tyson Foods, Inc.	141	-8	92%	Upgrade; Markit CDX NA IG 16 constituent
FLEX	FLEXTRONICS INTERNATIONAL LTD.	168	-106	44%	Small amount of bonds outstanding
PDE	Pride International, Inc.	94	-152	34%	Corporate Action
MEE	Massey Energy Company	126	-478	24%	Corporate Action
DOL	Dole Food Company, Inc.	468	-267	17%	Sector Excess
AMR	AMR Corporation	953	-206	15%	Sector Excess
STZ	Constellation Brands, Inc.	296	-95	31%	Sector/Ratings Excess
BZH	BEAZER HOMES USA, INC.	530	-196	57%	Sector/Ratings Excess
	Average	390			

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For further information, please visit www.markit.com

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