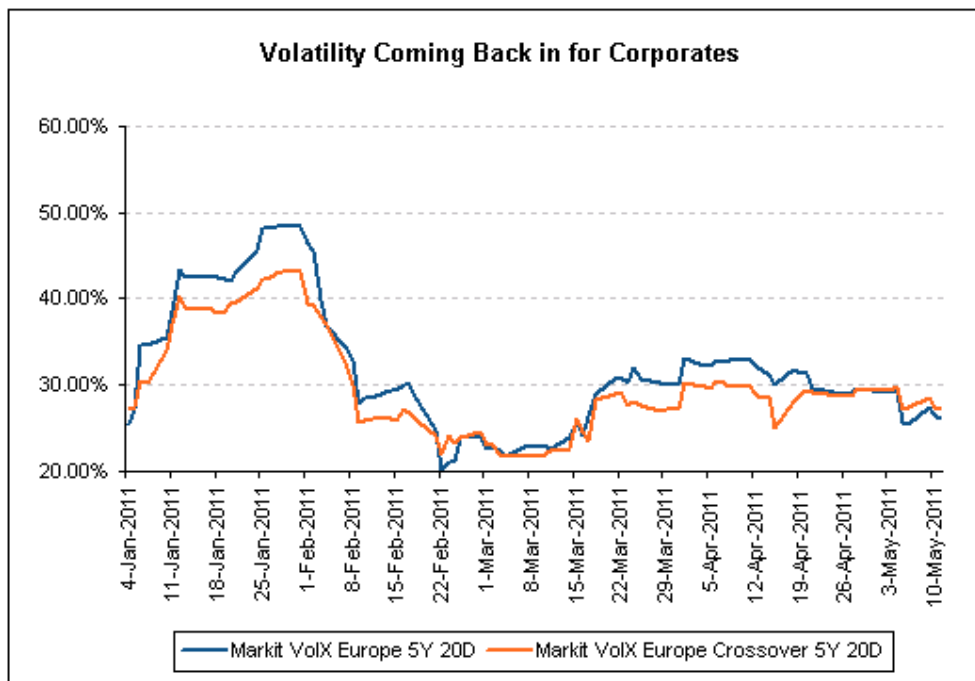


Markit Intraday Alert: Range of Expectations



- Markit iTraxx Europe S15 97.25bp (0.40), Markit iTraxx Crossover S15 358.60bp (+3.53)
- Markit iTraxx SovX Western Europe S5 183bp (-4.25)
- Markit iTraxx Senior Financials S15 136.0bp (-0.8)
- Markit iTraxx Subordinated Financials S15 233bp (-0.7)
- Sovereigns - Greece 1260bp (-20), Spain 243bp (-2), Portugal 628bp (-11), Ireland 645bp (-13)

With yesterday's "Commodity Sell-Off V2.0", it was natural that most of today's session would focus on commodity price movements and economic data rather than the credit markets. The corporate credit markets were notably resilient during the prior commodity and equity sell-off. They were again today with the Markit iTraxx Europe and Crossover only modestly wider. Oil futures were lower, particularly earlier in the day, but came back some as the dollar gave back some of its gains. The major US and European equity indices were lower. So today was simply a more measured version of yesterday or last week for all practical purposes.

Contributing to the relatively stable session, in credit at least, was a lack of significant surprises in US economic data releases today. US retail sales rose 0.5% in April; forecasts were for 0.6%. Initial jobless claims came in at 434,000 compared to expectations of 430,000. US business inventories came in right at expectations. With data coming in so close or at expectations, investors were hard pressed to take away any new insights on short-term market direction.

On the sovereign side, credit spreads rallied a bit. The IMF indicated that it had been considering giving Greece more time to repay its loans. The practical impact of such consideration is that Greece may get up to ten years to repay its loans compared to the three-year term of the current facility. While the conventional wisdom among investors seems to be that they still expect a restructuring, this announcement indicates more resolve by policymakers to continue to pay bondholders for the intermediate term. An IMF spokesperson conceded that a potential extension has nothing to do with whether or not the debt itself is sustainable and many others have been quick to point out that Greece will need additional cash beyond the current bailout package. So in the final analysis, the market talk today was more of a

shift in tone around the possible timing of a restructuring rather than a shift in opinions of whether or not a restructuring would ultimately occur.

In other sovereign developments, Egypt CDS was 3bp wider at 368bp today. The IMF indicated that the nation had formally requested help fo fund budget shortfalls between now and June 2012. The request is for \$10-12 billion and was expected. Political instability and tensions remain elevated there due to pending elections and stubbornly high food and energy prices.

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