European HY Credit Strategy

Quantitative pleasing

Credit Analysis

20 September 2019

High Yield Credit Strategy
Europe

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How do you say "squeeze!"

The world is replete with negative yielding bonds, thanks to central bank largesse. But the volume of positive yielding alternatives is just a fraction of this. As money is forced "up the value chain" in search of better returns, it becomes harder and harder to accommodate this...and so the effect is incrementally bullish. We think this leaves HY in a strong position amid "QE infinity", and see spreads approaching 300bp into year-end.

CSPP and high-yield: more bullish than you think

It's back to a CSPP-driven world where non-eligible spreads are the ultimate winners. This bodes well for high-yield over the medium-term, as the 2016 QE playbook confirms. But CSPP1.0 was more than just about technicals. Fundamentals got a nudge in the right direction too as *Fallen Angels* began to be tempted back to IG (aka "the club") sooner than they had previously anticipated. In fact, the HY upgrade/downgrade ratio surged to over 5x in 2017. We would expect CSPP2.0 to offer some support for fundamentals too.

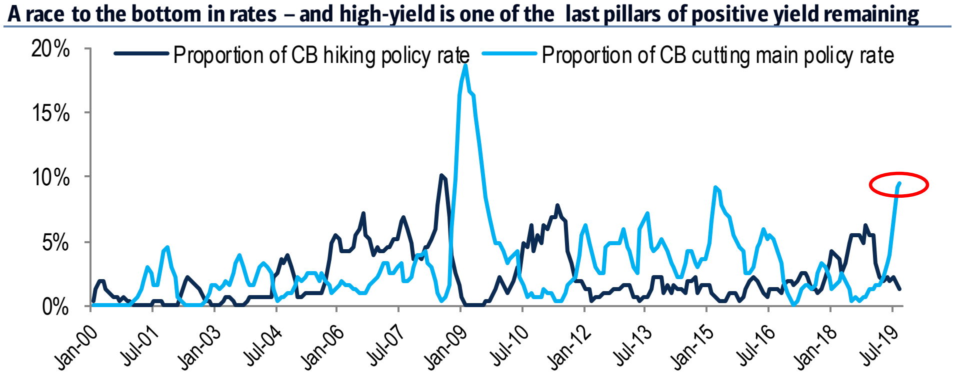
The big trade – fun in the front-end

With QE back, front-end high-yield bonds strike us as far too wide. The technical tweak to CSPP – allowing the ECB to buy credit *below* the depo rate – has already given a boost to 1-3yr IG. But front-end HY bonds have gone the other way of late, leaving HY/IG relationships too stretched. By ratings, BBs have happily "front-run" the ECB, but this has left the B/BB spread ratio at a 15yr high. While idiosyncratic risk is still a deterrent for single-B investors, the encouraging lesson from '16 was that CSPP helped reduce spread dispersion. We see single-Bs benefitting over the remainder of the year.

Tariffic times – trade is <u>the</u> big risk

What can unsettle the encouraging picture for high-yield? Trade tensions are still the big risk, and an EU-US trade spat could be another new dimension to come. We find that the Euro high-yield market has roughly double the exposure to manufacturing than the underlying Eurozone economy. And the IMF's latest trade uncertainty indices show that world trade uncertainty has jumped to a record high. If trade fears percolate the market again we think French and US issuer spreads look too tight vis-à-vis their trade uncertainty levels. Conversely, German, Italian and Spanish names compensate better.

A race to the bottom in rates – and high-yield is one of the last pillars of positive yield remaining



Source: BofA Merrill Lynch Global Research. 3m moving average of monthly cuts.

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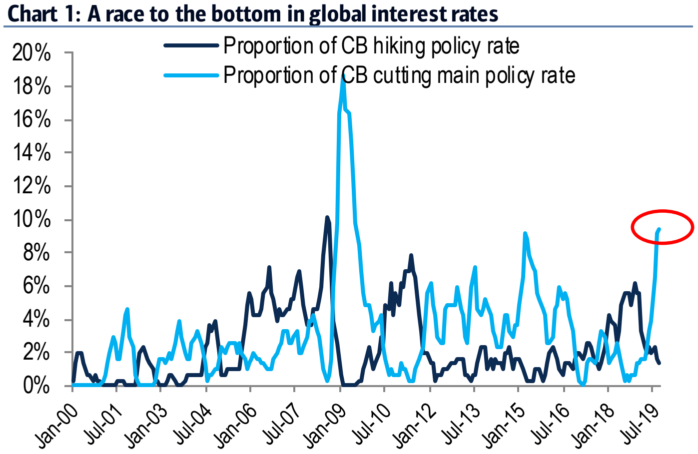
Over the last 3m, central banks across the globe have cut interest rates a total of 29 times…a number now in excess of that seen after the 2015 China scare, and one starting to approach the extremes witnessed post Lehman. Today, however, the financial system is far from freezing over. Instead, central banks are taking on an arguably more entrenched and challenging foe: disinflation…

And while policy makers are clearly more aware of their limitations – and some of the unintended consequences of negative rates – they appear far from admitting defeat. Take last Thursday's ECB meeting, for instance, where despite cutting interest rates to an eye watering -50bp, the Governing Council still retained the option to ease further, should inflation progress remain slow.

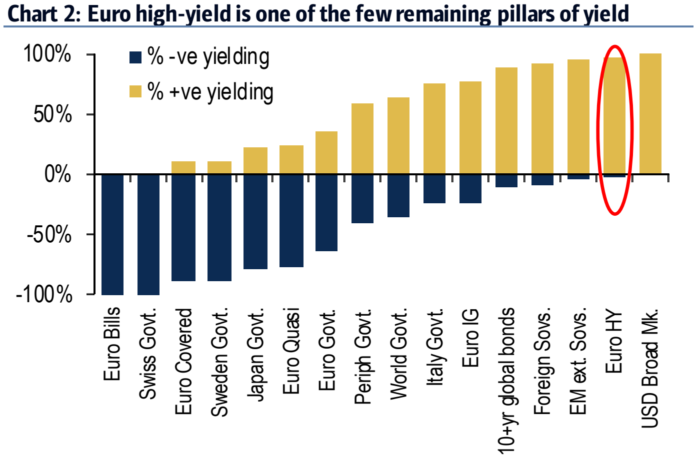
We continue to believe that the one clear investment theme that comes from today's environment of "financial repression" in simply yield, and think this bodes well for continued spread tightening across European high-yield. We see 300bp as the next stop for European spreads. If QE history is a good guide, expect high-yield to take a meaningful leg tighter when ECB corporate bond buying begins in earnest, in November.

Chart 1: A race to the bottom in global interest rates



Source: BofA Merrill Lynch Global Research, Bloomberg. 3m moving average of monthly cuts.

Chart 2: Euro high-yield is one of the few remaining pillars of yield



Source: BofA Merrill Lynch Global Research, Bloomberg, ICE Data Indices LLC. % of market.

And the trades? We see two big winners from the resumption of ECB QE:

- Firstly, **front-end high-yield**. 1-3yr spreads now look very wide to high-grade counterparts, which have rallied strongly given the technical tweaks to CSPP2.0 (allowing the ECB to buy credit below the deposit rate).
- Secondly, **single-B**s look very wide vis-à-vis BBs now. The latter has rallied strongly amid QE expecations. While idiosyncratic risk has been detrimental to single-Bs this year, we find that QE in '16 helped reduce HY spread dispersion meaningfully. Moreover, our latest quarterly HY fundamentals update suggests a welcome decline finally in single-B leverage.

How do you say squeeze?

Negative yields dominate the bond market today. In many cases, negative is the *norm* rather than the exception, as chart 2 highlights. As such, the thirst for returns is likely to benefit those parts of the bond universe where negative yields are still a rarity. We think this plays nicely into the European high-yield market, where 99% of bonds still yield positively.

Although central banks have successfully repressed yield in "safe" assets such as sovereign debt, the supply of "risky" assets – as an alternative – is far smaller. Thus, the process of money moving "up the value chain" in search of positive yield will be far from an orderly one.

In short, it becomes harder for riskier asset classes to accommodate the displacement of money from safer parts of the market. The upshot is that higher-beta assets will be squeezed a lot more than anticipated, we think.

Chart 3 highlights how this incremental search for yield is leading investors into smaller and smaller asset classes. Contrast, for instance, the €5tr of negative yielding Japanese government debt, to the European high-yield market which is just €270bn in size (and anecdotally we hear of Japanese lifer money now heading into European HY).

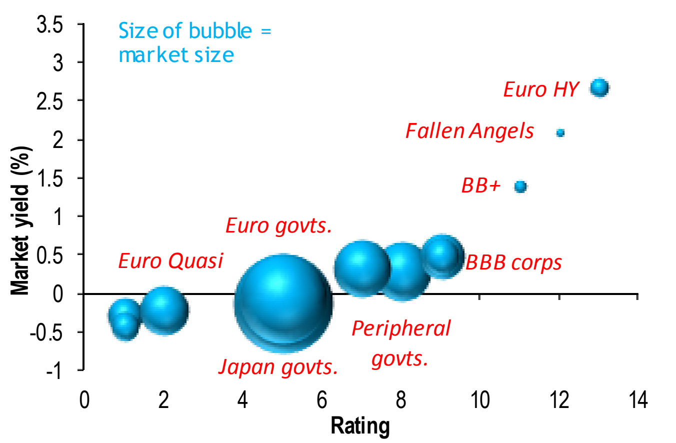
The squeeze-o-meter

Which parts of the European high-yield market could see the greatest squeeze impact? In chart 4 we contrast the amount of negative yielding high-grade debt to the corresponding sector size in Euro high-yield. The logic being this is that as IG investors get frustrated with negative yields, they are more likely to embrace the BB-rated equivalents. We believe that:

- High-yield **banks**, **consumers**, **utilities** and **energy** (corporate hybrids) could be the most susceptible to a big squeeze. The volume of high-grade negative debt in these sectors dwarfs the total amount of high-yield equivalent debt.

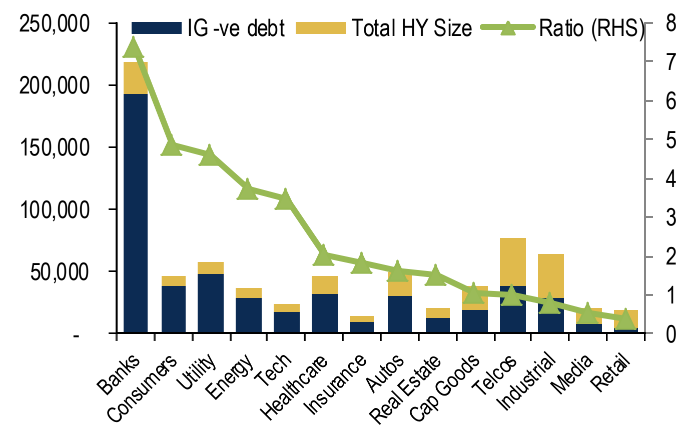
- Conversely, high-yield **telecoms**, **industrials**, **media** and **retail** might feel less of a squeeze effect. In fact, there is more high-yield debt in these sectors than negative yielding IG debt in the corresponding sectors.

Chart 3: Squeeze? Higher-yielding sectors are incrementally smaller than negative yielding ones (rating 1= AAA, 5 = A1, 8 = BBB1, 11 = BB1)



Source: BofA Merrill Lynch Global Research, Bloomberg.

Chart 4: European high-yield sectors that could see an influx of new money? Banks, consumers, utilities and energy



Source: BofA Merrill Lynch Global Research, Bloomberg. Eur mn (LHS).

"Reports of my death have been greatly exaggerated"

Many high-yield investors have rightly bemoaned the lack of Euro high-yield bond supply in '19. New issuance is down 10% year-over-year, with the lack of product being exacerbated by M&A, refi's into IG, and the continued strong CLO bid for loans.

We feel, however, that the tables will now turn, and that the high-yield bond market is set to take a greater share of leveraged corporate finance going forward (although the demand technicals will still dominate).

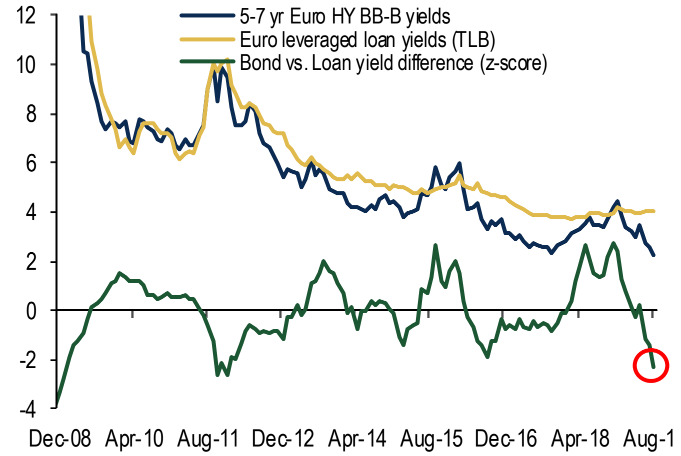
- As chart 5 shows, the cost of bond market financing has eased significantly for European high-yield issuers this year, on the back the reach for yield and April QE euphoria.

- Loan yields, on the other hand, have not participated in any meaningful rally. In fact, loan yields have headed mostly sideways this year. As a result, bond market financing is looking attractive for issuers vis-à-vis loan market financing (albeit with the latter still having the attractions of short calls and light covenants).

We think the meagre move in loan yields is consistent with the broader banking signals that we see in Europe. Banks are *tightening* lending standards on loans to enterprises, given the poor compensation on assets (chart 6 shows flat yield curves in Europe have historically not been conducive to strong loan growth).

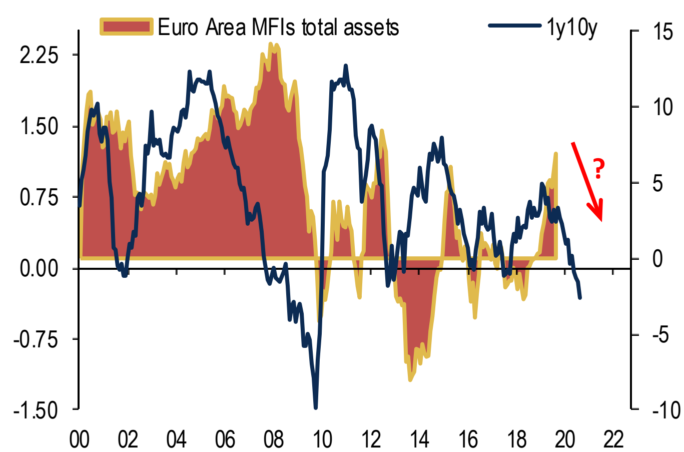
And note yesterday's very low take-up of TLTROIII funding (just €3.4bn) despite the attractive rates.

Chart 5: Financing costs are now visible cheaper for HY bonds vs. loans in Europe



Source: BofA Merrill Lynch, S&P LCD. Bond yields minus loan yields. 2yr z-scores.

Chart 6: Flatter € govvie curves could signal tougher bank lending standards. Thus, HY bond financing will be preferred to loan financing



Source: BofA Merrill, ECB. Using 12m Euribor and 10yr Bunds for yield curve (LHS). MFI assets YoY% change (RHS). Using lead of 12m for yield curve.

CSPP and high-yield: more bullish that you think

Last Thursday saw the return of the ECB's *Corporate Sector Purchase Programme*…a policy that was unambiguously bullish for high-yield spreads in '16/'17, and we think will be supportive again going forward.

CSPP2.0 rules remain broadly the same as with the first version:

- High-yield names can be eligible if they obtain one investment-grade rating. In 2016, this meant that Telecom Italia – the largest high-yield name (chart 7) – was eligible, thanks to the BBB- Fitch rating.

Who are the immediate beneficiaries therefore?

- As chart 8 shows, today there are a wider range of European high-yield names that we think are eligible (again because one rating is high-grade). Hence, CSPP should bring a broader boost to high-yield sentiment than in 2016 (although, note that Telecom Italian is no longer eligible as the Fitch rating is now BB+).

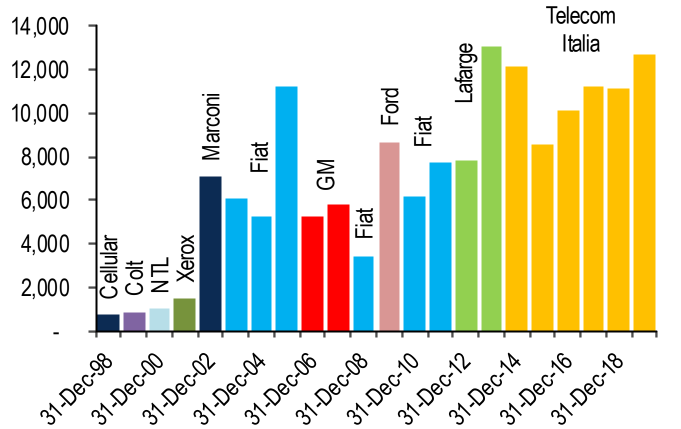
- In a departure from the past, CSPP2.0 feels more bullish for **core names** in the European high-yield market, as opposed to the periphery (chart 9). This is again partly a function of Telecom Italia not being eligible now.

Avoiding the crowds

While the direct number of CSPP-eligible names in the European high-yield market is on the small side, it's the *indirect* effect of CSPP that we think is bullish for the market. Over time, we see money leaving eligible parts of the European credit market and moving into non-eligible markets. This will clearly benefit European high-yield.

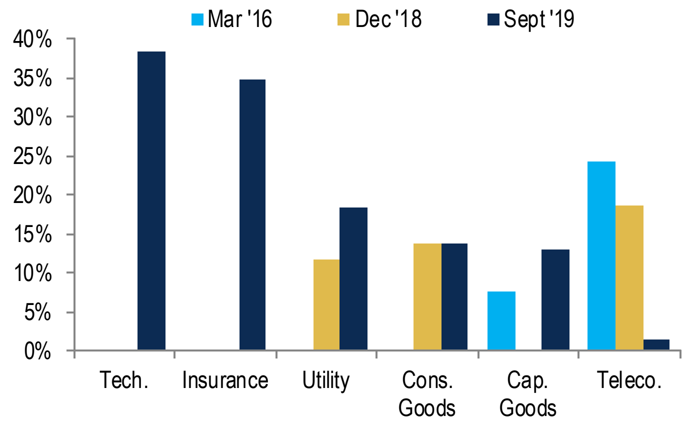
- Recall that in 2016, European high-yield fund outflows stopped in June 2016, but then inflows really accelerated from November 2016 until March 2017 (French elections and political risk ultimately stopped this promising inflow in mid-2017 however).

Chart 7: Largest issuer in European HY, per year (€debt outstanding). Telecom Italia has gained the crown for a record six years in a row.



Source: BofA Merrill Lynch Global Research. Eur amount, mn.

Chart 8: CSPP eligibility: Euro HY: March '16, end '18 and today. Percentage of European high-yield sectors with CSPP-eligible debt

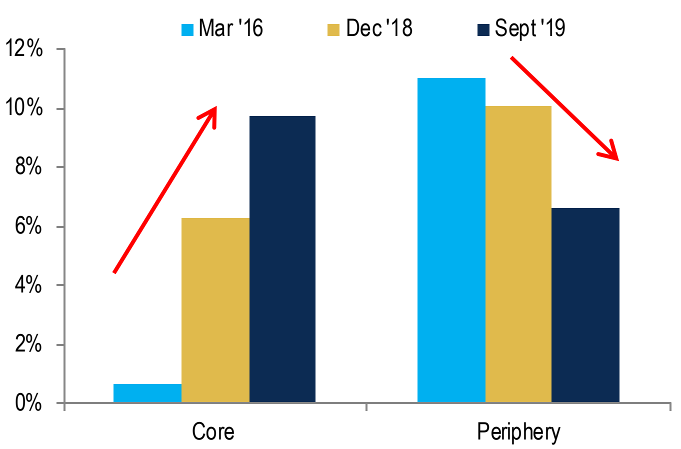


Source: BofA Merrill Lynch Global Research, ICE Data LLC, ECB.

Chart 10 is a reminder – in spread terms – of how this transition from eligible to non-eligible parts of the market played out in '16/'17, and we expect the same pattern this time:

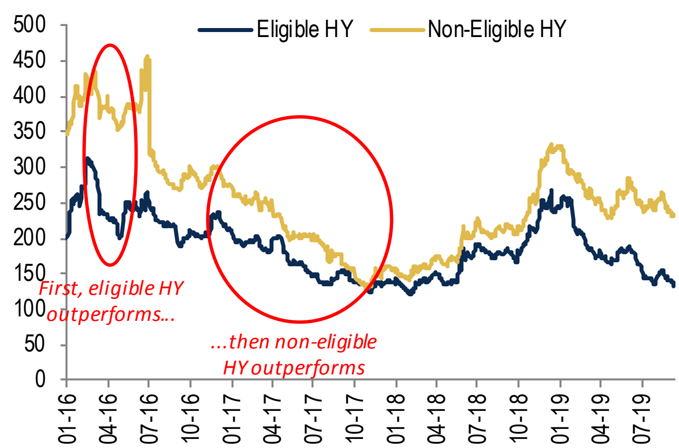
- The initial reaction to the March '16 CSPP announcement was for eligible names to gap tighter – including Telecom Italia in high-yield.
- But towards the end of 2016, and for much of 2017, non-eligible high-yield names were the outperformers (as ECB corporate bond buying continued as per normal in the background).

Chart 9: CSPP sector eligibility: Euro HY, by country of risk: March '16, end '18 and today. % eligible.



Source: BofA Merrill Lynch Global Research, ICE Data LLC, ECB.

Chart 10: European high-yield spreads: the eligible vs. non-eligible pattern of '16/'17 will repeat itself, we think



Source: BofA Merrill Lynch Global Research, ICE Data LLC, ECB.

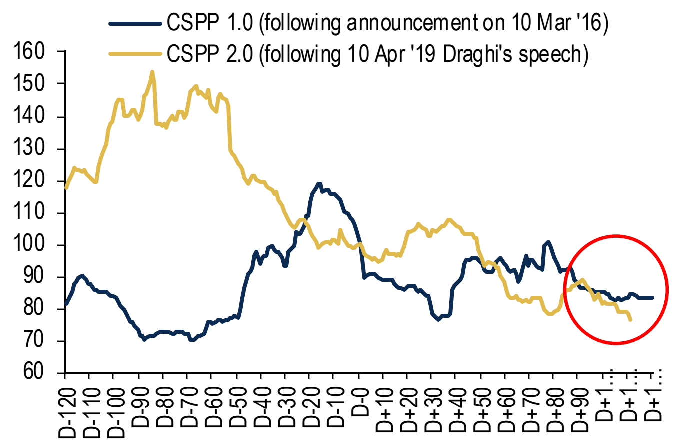
QE tapering, towards the end of 2018, eventually hurt non-eligible high-yield. But as chart 10 also highlights, non-eligible HY is now looking cheap again…and is well positioned to rally as the QE machine gets going in Europe.

QE then vs now: HY spreads have upside

Charts 11 and 12 below confirm that eligible names have been bought quicker this time, relative to the 2016 QE experience. Here, we track high-yield spreads around the announcement date of CSPP (days before and days after the announcement, with spreads rebalanced).

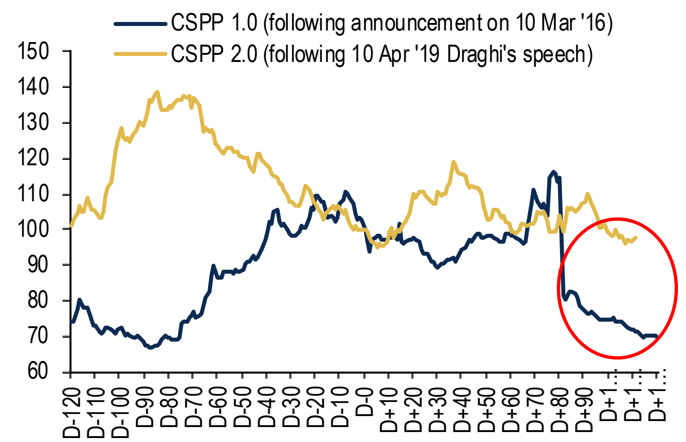
- As can be seen, eligible high-yield names have tightened more this time relative to the 2016 experience.
- On the other hand, non-eligible high-yield has not tightened by as much ahead of time, and thus offers more upside (note spreads in Jun '16 were rebalanced much tighter at month end by the removal of Portugal Telecom).

Chart 11: Spread evolution following CSPP announcement: Eligible HY spreads (days before and after announcement, spreads rebalanced to 100 at announcement date)



Source: BofA Merrill Lynch Global Research, ICE Data Indices LLC, ECB.

Chart 12: Spread evolution following CSPP announcement: Non-eligible HY spreads (days before and after announcement, spreads rebalanced to 100 at announcement date)

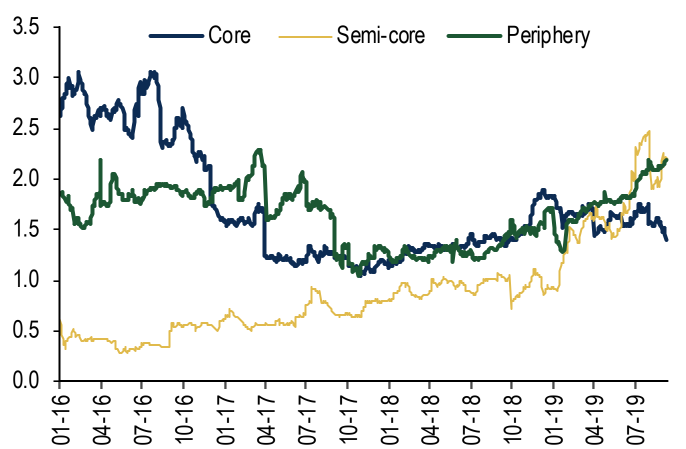


Source: BofA Merrill Lynch Global Research, ICE Data Indices LLC, ECB.

Elsewhere, non-eligible high-yield looks interesting in:

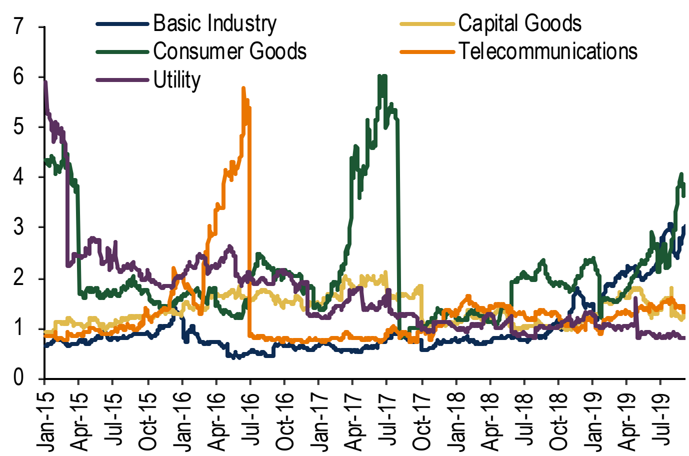
- Consumer names (chart 14).

Chart 13: Spread ratio HY: Non-Eligible/Eligible



Source: BofA Merrill Lynch Global Research, ICE Data Indices LLC, ECB.

Chart 14: Spread ratio HY: Non-Eligible/Eligible



Source: BofA Merrill Lynch Global Research, ICE Data Indices LLC, ECB.

CSPP: When technicals are the most important fundamentals

While CSPP is undoubtedly a strong technical for credit markets in Europe, it's important not to forget that it can give credit fundamentals a nudge in the right direction too.

After all, refinancing can help improve levered credits' cashflow (Altice has been able to obtain favourable secured funding in the last week to help repay more expensive junior debt).

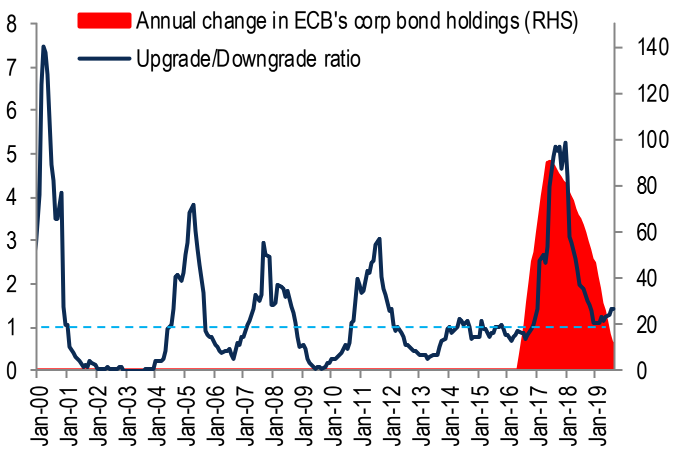
The charts below are again a reminder of how things played out in 2016 with regards to fundamentals.

- Chart 15 shows that credit improvements across the European high-yield market began to flourish post CSPP. As can be seen, the ratio of high-yield upgrades to downgrades jumped from 1x in early '16 to a peak of 5x in mid '17.

- This was the most extreme period for high-yield rating upgrades, relative to downgrades, since early 2000 (and it reversed when QE was tapered).

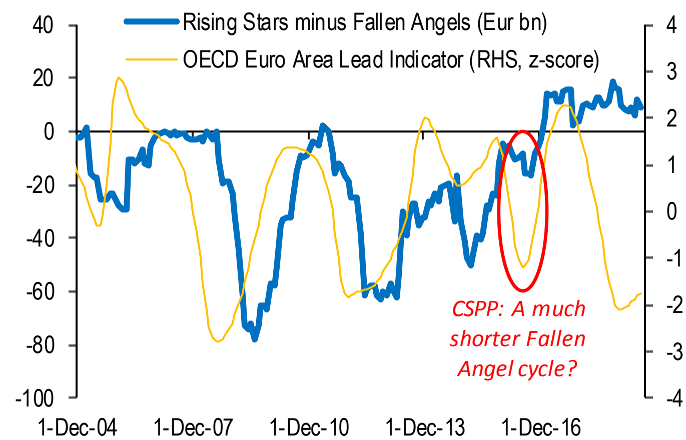
- True, ECB QE more broadly helped revive confidence in the Eurozone economy, helping company fundamentals. Nonetheless, we recall a behaviour change from European high-yield issuers at the time. High yield companies – especially prior *Fallen Angels* – would be more vocal about trying to return back to high-grade ahead of time. This would give them access to the "CSPP club" and even tighter spreads.

Chart 15: A sizable rating upgrade cycle in high-yield followed the launch of CSPP in Jun '16



Source: BofA Merrill Lynch, ICE Data LLC.ECB holdings Eur bn. HY 12m upgrade/downgrade ratio.

Chart 16: CSPP in 2016 also helped cut short the brewing *Fallen Angel* cycle



Source: BofA Merrill Lynch Global Research, ICE Data Indices LLC. 12m z-score.

- And chart 16 shows that, from the other side of the pond, high-grade issuers were more cognizant of maintaining IG status to stay in the "CSPP club". Note that the *Fallen Angel* cycle in 2016 was very modest from a historical standpoint…and we expect it to help in this regard again.

The big trade – fun in the front-end

In the aftermath of the ECB restarting QE, we see two key trades in the Euro high-yield market.

Long front-end high-yield bonds

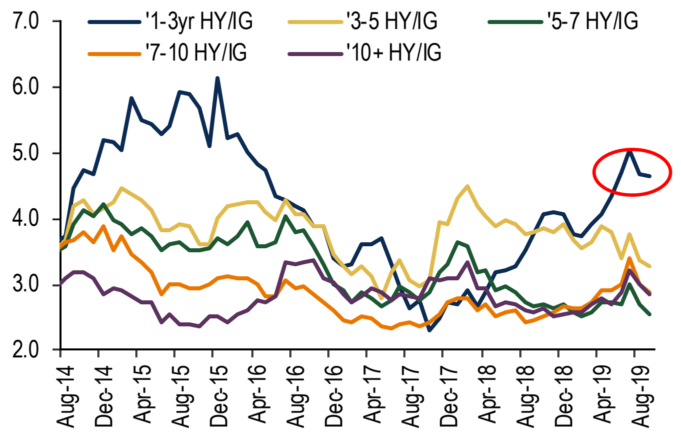
- 1-3yr high-yield bonds suddenly appear cheap to us. A key driver which should support their outperformance is the technical change to CSPP that the ECB announced last week. Going forward, the ECB will be able to buy corporate bonds that yield below the deposit rate.

- While there are very few bonds that yield this negative in the credit market, we think the announcement removes the "floor" for front-end IG bonds. Indeed, 1-3yr high-grade bonds have tightened the most across the IG spectrum since last Thursday's decision.

This will create more attractive relative value for 1-3yr high-yield bonds, in our view, as the roll-down properties of these bonds will become more attractive.

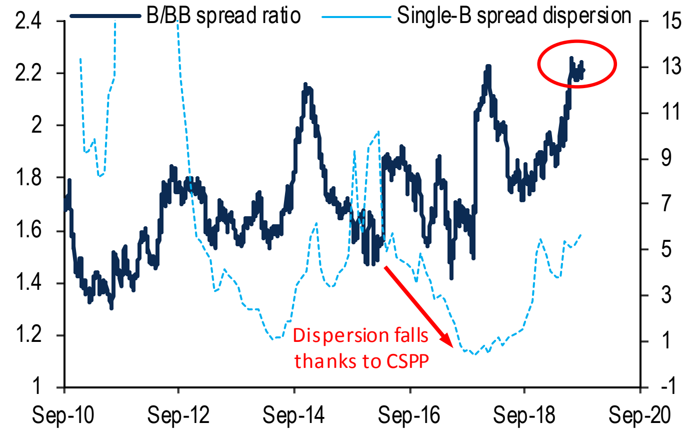
Chart 17 shows that in spread ratio terms, 1-3yr high-yield spreads look very cheap vis-à-vis their investment grade counterparts.

Chart 17: HY/IG spread ratios (x). 1-3yr high-yield bonds look cheap now vs. IG counterparts. And the CSPP2.0 rule tweak will help, we think.



Source: BofA Merrill Lynch Global Research, ICE Data Indices LLC.

Chart 18: Single-B/BB spread ratio now at over a decade high. Idiosyncratic risk has held back Bs this year, but we find dispersion fell in 2016 post CSPP.



Source: BofA Merrill Lynch, ICE Data Indices LLC. Spread ratio (LHS). Dispersion defined as spread of widest sector, minus spread of tightest sector, divided by HY spread.

Single Bs > BBs

Given the buying of eligible credit ahead of time, BBs have tightened a lot lately, leaving more of the value in single-Bs. In fact, **the B-BB spread ratio in high-yield is now at the highest since 2004** (chart 18).

The sector has undoubtedly been held back by the preponderance of idiosyncratic risk this year. Single-B names have frequently dropped 10pts or more on poor earnings or downbeat leverage guidance. As we argued here, "plunging bonds" are likely to remain par for the course given the very low coupon income across the market today (there's little future income to make up for a poor bond choice today).

But looking back again at the 2016 experience, we find that CSPP was helpful in reducing the dispersion of bond spreads across the single-B market (chart 18). It seems fair to us that we will again see some decline in dispersion from here because of CSPP2.0, even though the market is right to question the efficacy of more QE.

This, coupled with very wide spreads, leaves single-Bs looking a lot more interesting than BBs to us for Q4.

Tariffic times – trade remains the risk

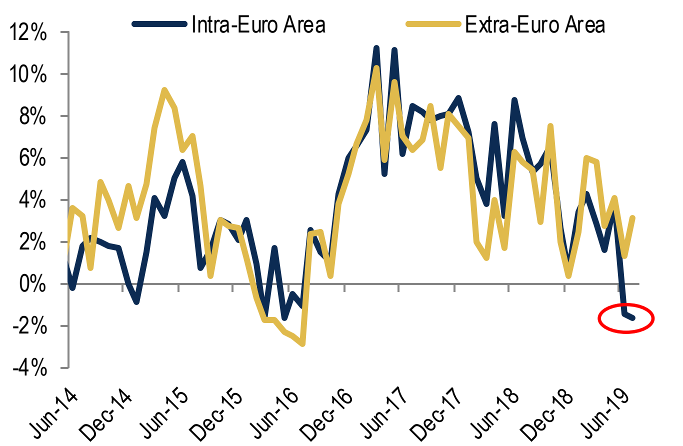
What things could spoil the bullish tone that we envisage for high-yield into the remainder of the year? The main "spanner in the works" would be an intensification again of trade US-China trade tensions. Yet, we would also highlight the possibility of EU-US trade tensions rising towards year-end. Trade negotiations between the US and EU have not started yet. As our FX team highlight, difficult discussions may not just be around the auto sector, but around agriculture too (and the potential for Airbus retaliatory tariffs looms).

For an open economy such as the Eurozone, a continued downbeat environment for global trade risks multiple spillovers. As chart 19 below shows, it's intra-Eurozone exports that now look under the weather. And for a levered market such as high-yield, confidence shocks from trade can be market moving.

While the proportion of manufacturing companies in the European high-yield market has been declining over the last decade, **just under 30% of Euro high-yield is still comprised of auto, basic industry and capital goods issuers** – a number much greater than the share of manufacturing in the Eurozone economy (15%).

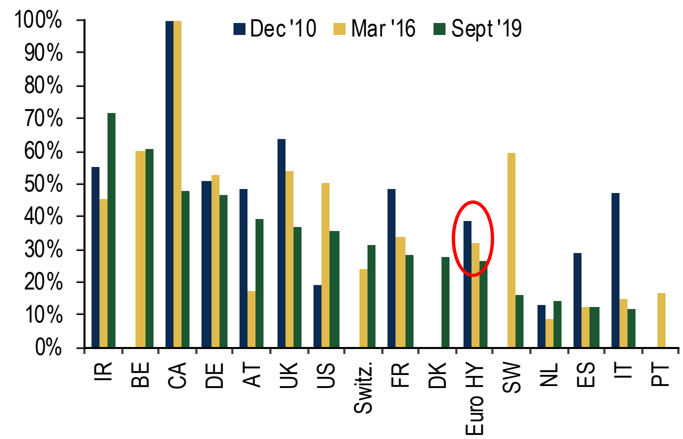
Charts 20 and 21 show which sectors of the European high-yield market have a greater share of manufacturing companies.

Chart 19: YoY change in Eurozone exports (%). Intra-Eurozone trade is now suffering



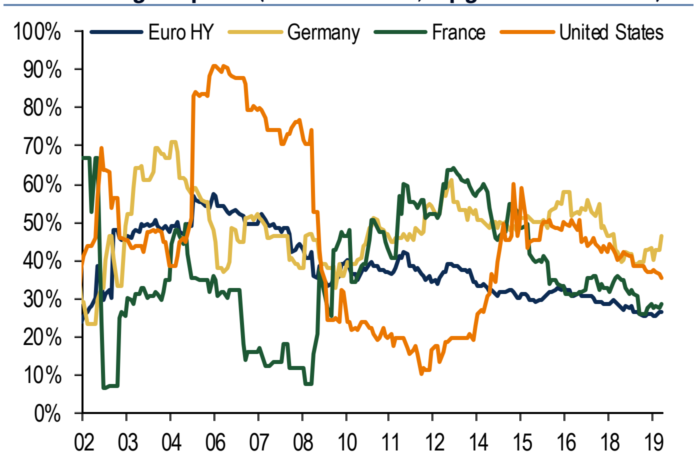
Source: BofA Merrill Lynch Global Research, Eurostat, Haver.

Chart 20: Proportion of Euro HY sectors (by country split) that are manufacturing companies (defined as autos, cap goods and basic ind.)



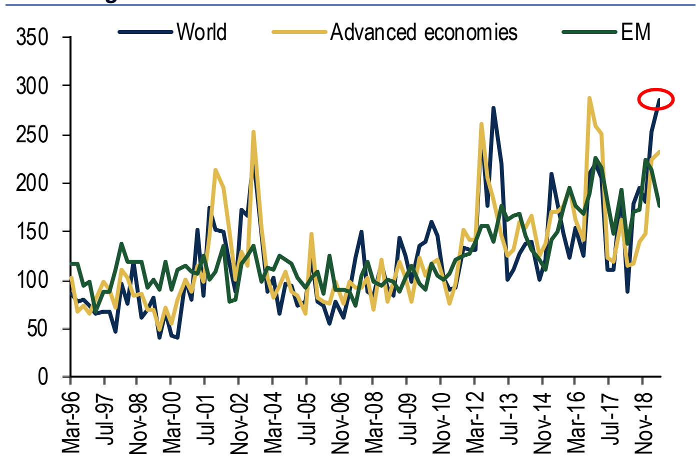
Source: BofA Merrill Lynch Global Research, ICE Data Indices LLC.

Chart 21: Proportion of Euro HY sectors (by country split) that are manufacturing companies (defined as autos, cap goods and basic ind.)



Source: BofA Merrill Lynch Global Research, ICE Data Indices LLC.

Chart 22: Trade uncertainty indices: world trade uncertainty now at an all-time high



Source: BofA Merrill Lynch Global Research, IMF Trade Uncertainty Indices, GDP-weighted.

The only certainty…is uncertainty

While trade noises from politicians will ebb and flow, we think it's important to keep an eye on trade policy uncertainty indices, which we find helpful at giving a sense of trade risk/sensitivity by country.

Chart 22 shows the IMF's trade policy uncertainty indices – new indices that track trade uncertainty across many countries. As can be seen, world trade uncertainty has surged over the last year, commensurate with the US-China tariff increases. The (GDP-weighted) world trade uncertainty index is now at a record high.

Across the globe though, trade uncertainty varies. The rise for advanced economies is clear, yet for Emerging Markets and Africa, the rise is a lot more moderate.

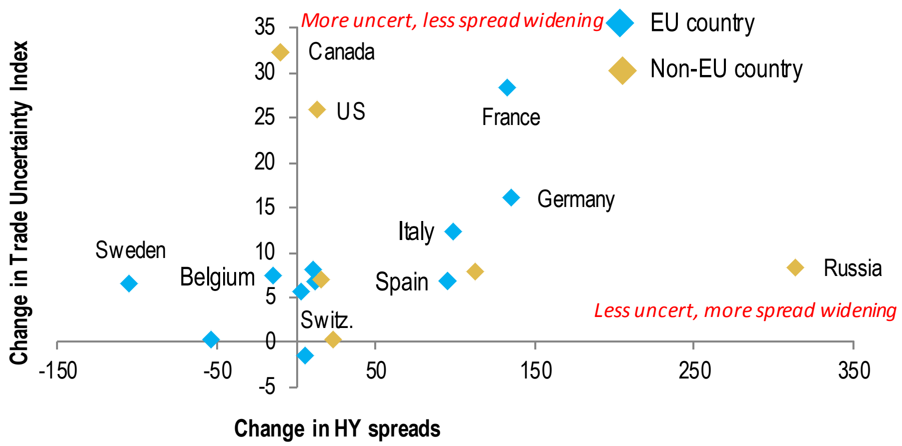
Where are high-yield investors more exposed (and protected) if trade tensions flare-up again?

- Chart 23 compares the change in Trade Uncertainty Indices since the end of 2017 to the change in high-yield spreads.
- We show by country, splitting by EU sovereign and non-EU sovereign.

We find that:

- For **French**, **US** and **Canadian** high-yield names, the jump in their respective Trade Uncertainty Indices has been a lot greater than the widening in credit spreads since end-17. Other things being equal, these names could be exposed to further widening on a flare-up of trade tensions.
- Conversely, for **Germany**, **Italy**, **Spain** and **Russia**, the jump in their respective Trade Uncertainty Indices has been a lower than the widening in credit spreads since end-17. Other things being equal, these names could be better insulated upon a flare-up of trade tensions.

Chart 23: Change in Trade Policy Uncertainty indices since end-2017, vs. change in HY spreads (also since the end of 2017)



Source: BofA Merrill Lynch Global Research, Policy Uncertainty, ICE Data Indices LLC.

HY fundamentals update

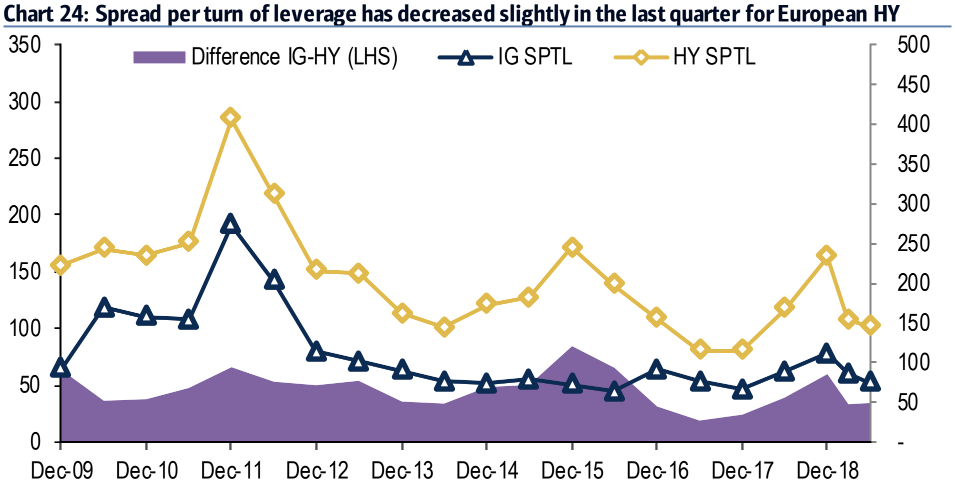
We update our European HY fundamental data, looking at the progression of fundamental metrics. This edition includes data up until Q2'19 and includes adjustments to the history to take into consideration the change in composition and rating.

Of note in this edition:

- Overall European high-yield leverage remained unchanged at **3.6x** QoQ.
- We find that BB leverage was **flat** QoQ on the back of a net debt growing at a similar pace to earnings. Note the BB leverage ratio in H1 '19 remains substantially higher (+0.5x) than in H1 '18, highlighting the adverse effect of trade uncertainty and the manufacturing slump in Europe over the last 12 months.
- Single B leverage decreased by **0.2x** QoQ in Q2 '19 on the back of net debt contracting at a much faster pace than the fall in EBITDA growth.

Chart 24 shows that spread-per-turn-leverage for European high-yield has **fallen materially** in 2019, albeit at a much slower pace in Q2.

Chart 24: Spread per turn of leverage has decreased slightly in the last quarter for European HY

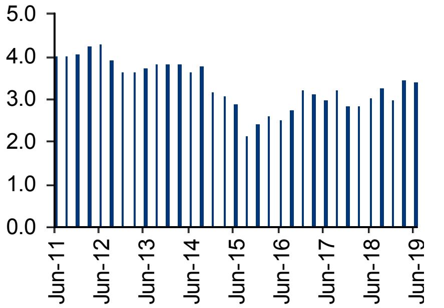


Source: BofA Merrill Lynch Global Research, ICE Data Indices LLC. Basis points.

HY fundamentals update

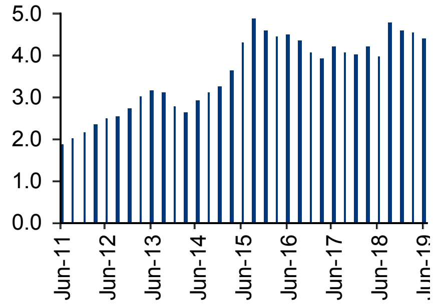
Below we show European high-yield leverage, coverage, EBITDA, cash and debt metrics for a broad sample of BB and single-B names.

Chart 25: Leverage ratio for BB



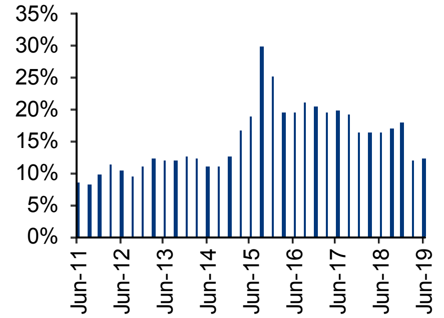
Source: BofA Merrill Lynch Global Research.

Chart 26: Leverage ratio for B



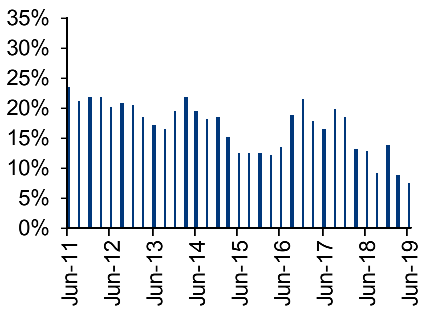
Source: BofA Merrill Lynch Global Research.

Chart 27: Cash to debt ratio for BB



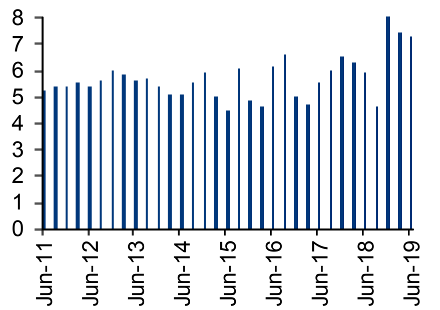
Source: BofA Merrill Lynch Global Research.

Chart 28: Cash to debt ratio for B



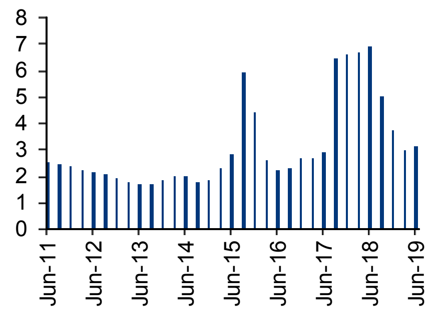
Source: BofA Merrill Lynch Global Research

Chart 29: Coverage ratio for BB



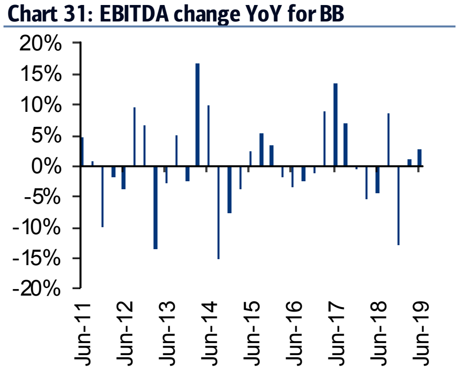
Source: BofA Merrill Lynch Global Research

Chart 30: Coverage ratio for B



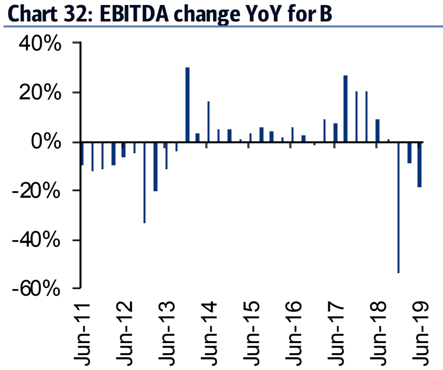
Source: BofA Merrill Lynch Global Research

Chart 31: EBITDA change YoY for BB



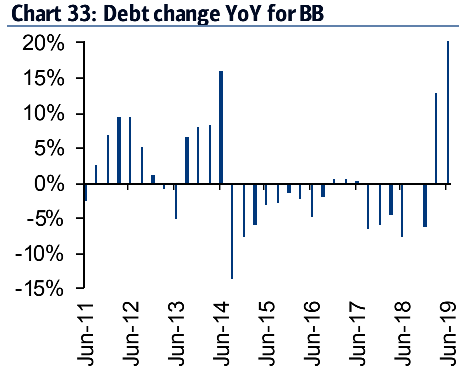
Source: BofA Merrill Lynch Global Research

Chart 32: EBITDA change YoY for B



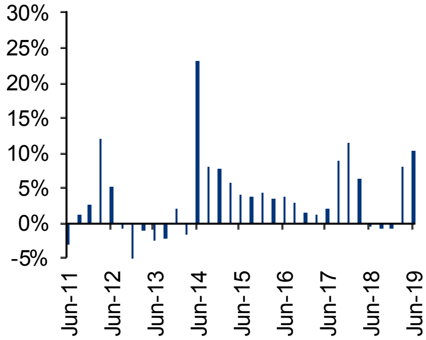
Source: BofA Merrill Lynch Global Research

Chart 33: Debt change YoY for BB



Source: BofA Merrill Lynch Global Research

Chart 34: Debt change YoY for B

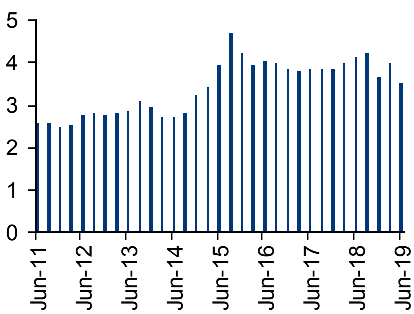


Source: BofA Merrill Lynch Global Research

HY Chartbook – by Domicile

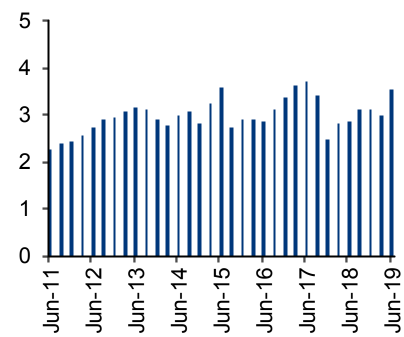
- European corporates' leverage is now close to their non-Eurozone peers (near **3.5x**).
- Leverage ratios have been steady for European HY corporates in Q2 '19, with earnings growth matching debt growth on a quarterly basis.
- Leverage has been roughly stable for peripheral corporates in Q2 '19 at **3.4x** whilst it has surged for core Euro Area companies (+0.6x QoQ) to **3.6x** as falling yields and strong demand led more core Eurozone firms to tap the bond market.

Chart 3535: Leverage ratio in non-Eurozone



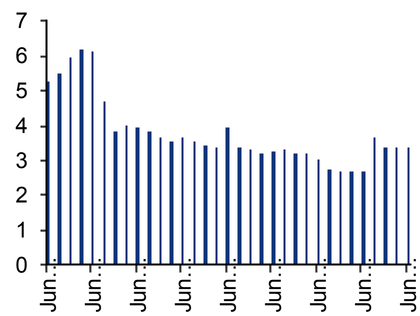
Source: BofA Merrill Lynch Global Research.

Chart 36: Leverage ratio in Core



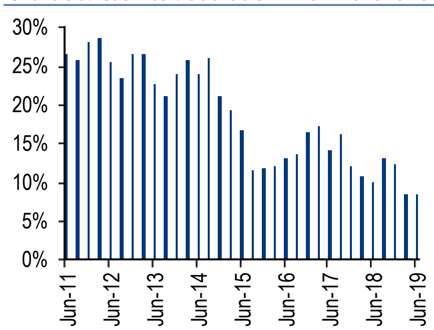
Source: BofA Merrill Lynch Global Research.

Chart 37: Leverage ratio in Periphery



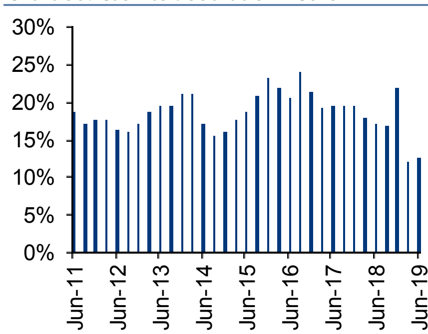
Source: BofA Merrill Lynch Global Research.

Chart 38: Cash to debt ratio in non-Eurozone



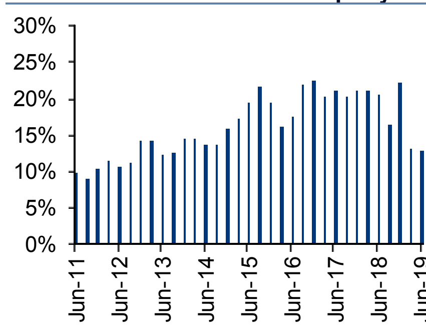
Source: BofA Merrill Lynch Global Research

Chart 39: Cash to debt ratio in Core



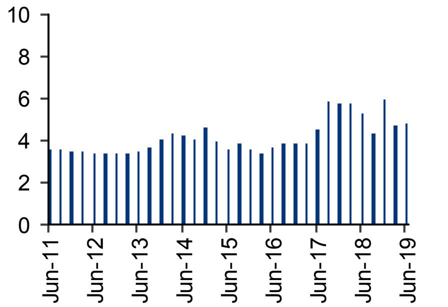
Source: BofA Merrill Lynch Global Research

Chart 40: Cash to debt ratio in Periphery



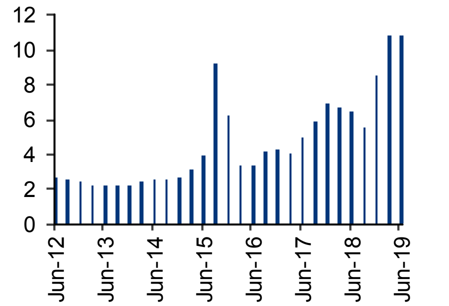
Source: BofA Merrill Lynch Global Research

Chart 41: Coverage ratio in non-Eurozone



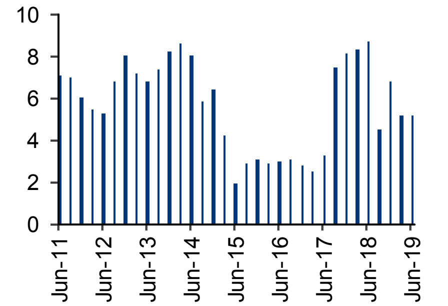
Source: BofA Merrill Lynch Global Research

Chart 42: Coverage ratio in Core



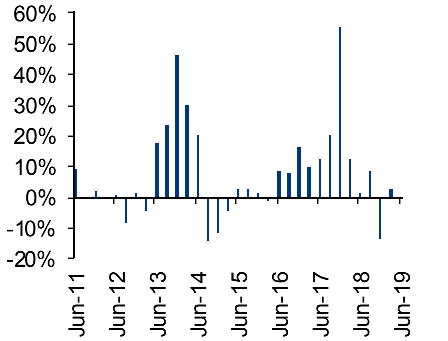
Source: BofA Merrill Lynch Global Research

Chart 4336: Coverage ratio in Periphery



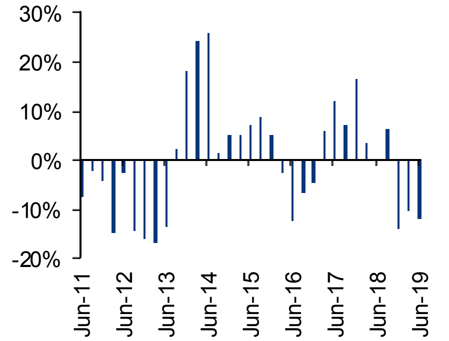
Source: BofA Merrill Lynch Global Research

Chart 44: EBITDA YoY in non-Eurozone



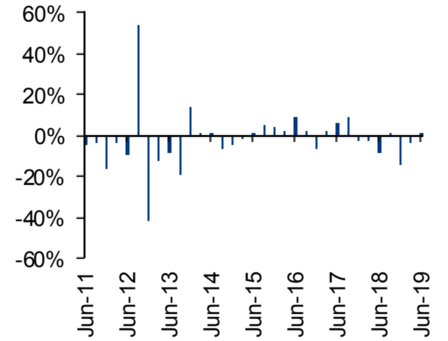
Source: BofA Merrill Lynch Global Research

Chart 4537: EBITDA YoY in Core



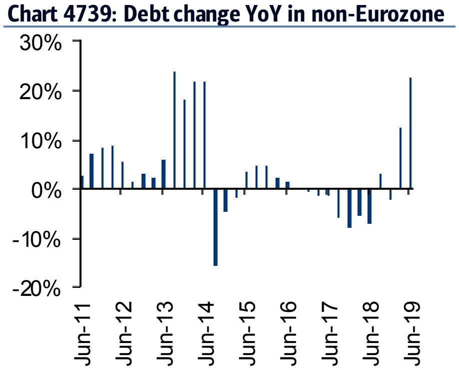
Source: BofA Merrill Lynch Global Research

Chart 4638: EBITDA YoY in Periphery



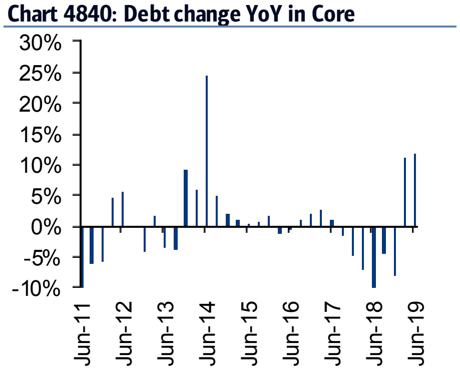
Source: BofA Merrill Lynch Global Research

Chart 4739: Debt change YoY in non-Eurozone



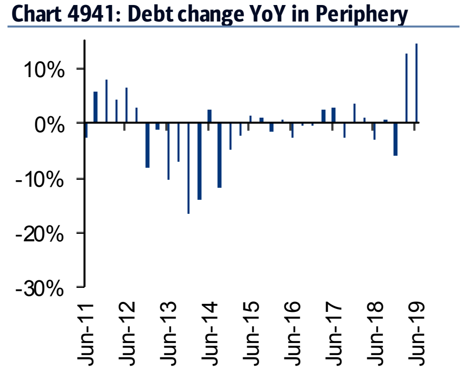
Source: BofA Merrill Lynch Global Research

Chart 4840: Debt change YoY in Core



Source: BofA Merrill Lynch Global Research

Chart 4941: Debt change YoY in Periphery



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