

## Voluminous

Bradley Rogoff, CFA  
+1 212 412 7921  
bradley.rogoff@barclays.com

Eric Gross  
+1 212 412 7997  
eric.gross@barclays.com

Ellie Lan  
+212 412 3038  
ellie.lan@barclays.com

The high yield market traded in a range this week, with neither cash nor derivatives markets showing much sign of direction. The average price of the Barclays U.S. High Yield Index was down 17 cents, to \$102.94 as of Wednesday's close. Meanwhile, series 20 of the HYCDX index was \$0.32 weaker, closing at \$105.56. Higher beta bonds outperformed last month as the market rallied from the May-June sell-off, but HYCDX (+9.27% year-to-date) remains well ahead of the cash index excess return (+4.81% year-to-date). For more details on index performance, please see the [High Yield Corporate Update](#).

Market-wide cash volumes were strong for the first half of the year. The first quarter of the year showed the seasonal jump that has been typical since 2011 and reflects (at least in part) the seasonal pattern in supply. Indeed, since 2010, as much as 30% of the yearly new issue total has come in the first quarter of the year. Furthermore, 1Q13 supply was the largest quarter on record, at a little over \$101bn. On the other hand, the second quarter of the year showed abnormally large volumes, and the higher volatility driven by concerns of Fed tapering and rising rates is the likely cause, in our view.

We believe a few trends in the breakdown of volumes are worth pointing out. First, looking at volumes by primary market placement, it is clear that the proportion of total volumes going to the 144A<sup>1</sup> market has grown consistently over the past seven quarters (Figure 2). While recent issuance tends to account for a disproportionate share of volumes, this trend is more a reflection of the outstanding pool of bonds than recent supply. Indeed, the proportion of overall 144A issuance has not changed much over that period; 144A with registration rights issuance has declined steadily, but 144A-for-life issuance has grown more or less in proportion to take up the slack during the past two years. However, the share of 144As in the U.S. High Yield Index has grown monotonically from 30.3% at the end of 2011 to 36.4% as of 2Q13, with nearly three quarters of the growth coming from the 144A-for-life category.

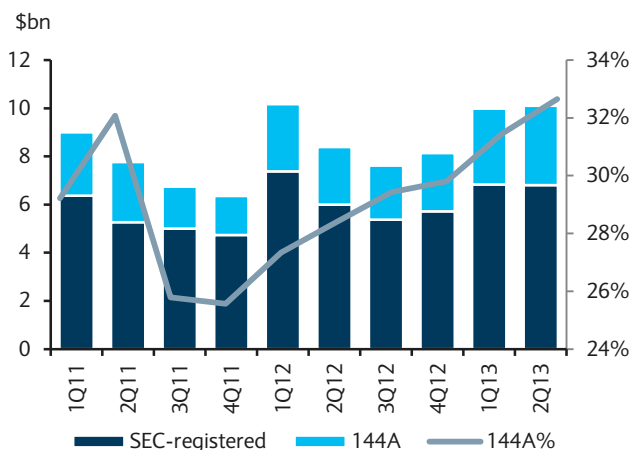
Second, breaking down secondary trade volumes by the counterparties involved is telling, in our view. Specifically, the proportion of total volumes going through the interdealer market appears to be on the decline. In the first quarter of 2011, trades between dealers accounted

FIGURE 1  
Cash and CDS Movers

| High Yield Cash |         |          |                |          |          |
|-----------------|---------|----------|----------------|----------|----------|
| Best            | Px      | Chg      | Worst          | Px       | Chg      |
| OIS 5.125 '23   | 110.00  | +4.5     | TXU 6.5 '24    | 56.00    | -3.8     |
| FTR 6.73 '28    | 98.05   | +3.6     | ROCKIE 7.5 '38 | 87.38    | -3.6     |
| CZR 5.625 '15   | 86.00   | +3.5     | SIRI 5.25 '22  | 96.75    | -3.3     |
| High Yield CDS  |         |          |                |          |          |
| Best            | 5y      | Chg      | Worst          | 5y       | Chg      |
| SKS             | 163 bp  | -116 bp  | HET            | 55.0 pts | +4.5 pts |
| BYD             | 3.2 pts | -1.9 pts | MBIA           | 8.7 pts  | +2.0 pts |
| HMA             | 162 bp  | -36 bp   | KBH            | 372 bp   | +32 bp   |

Source: Barclays Research

FIGURE 2  
Average Daily High Yield Volumes – Registered versus 144A



Source: FINRA

<sup>1</sup> Includes both 144A for life and 144A with registration rights.

FIGURE 3

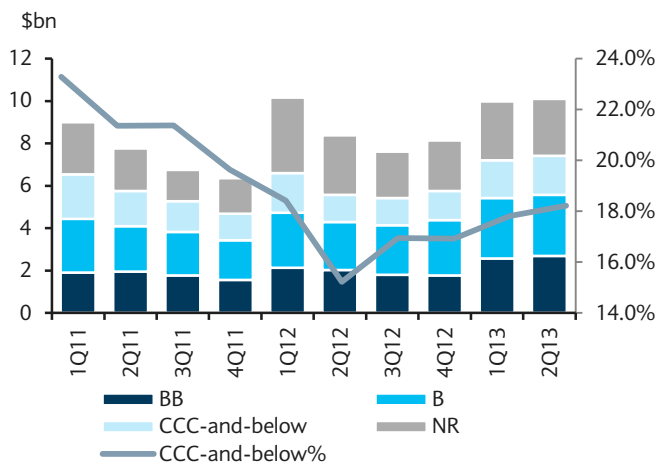
## Average Daily High Yield Volumes – Client-Facing versus Interdealer



Source: FINRA

FIGURE 4

## Average Daily High Yield Volumes – Quality Breakdown

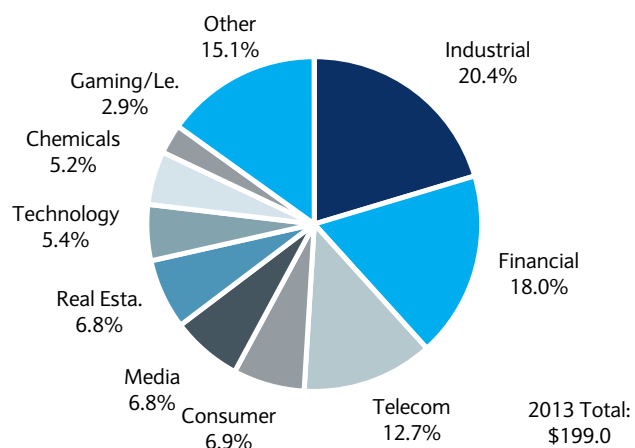


Source: FINRA

for about 20% of total volumes, while in the most recent quarter, that share had declined to 17% (Figure 3). The recent decline could be due to the increase in volatility in 2Q13. However, we believe it could also be a reflection of lower net dealer positioning in corporate debt securities. To the extent that leaner dealer balance sheets explain this trend, interdealer volumes will continue to be a smaller fraction of the pool of trades, in our view.

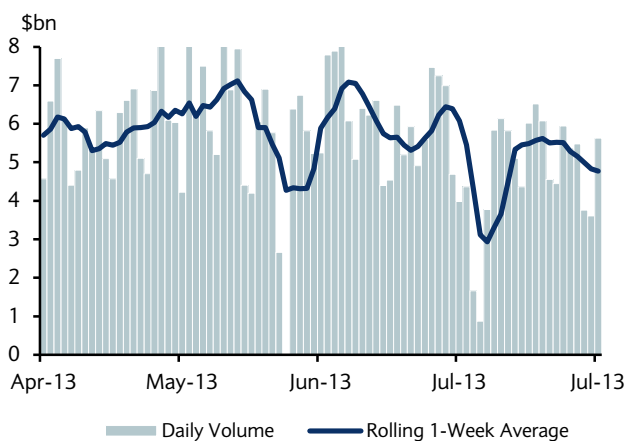
The share of volumes by credit quality is also interesting. In particular, the proportion of volumes in the more distressed CCC-and-below part of the market declined significantly in the six quarters from 1Q11 to 2Q12, going from 23.3% to 15.2% of the total. Since then, however, the lower end of the quality spectrum has slowly grown in share, back up to 18.2% in the second quarter of the year. While the par weight of CCC-and-below bonds in the U.S. High Yield Index has been steady during the past 10 quarters, ranging from 18.2% to 19.7%, trends in issuance can partly explain this pattern. Indeed, supply in the lower-rated part of the market grew from 13.3% in 2Q12 to 19.4% in 2Q13. With yields and volatility once again on the decline, we believe this trend could persist.

### High Yield Supply by Sector – 2013 Breakdown



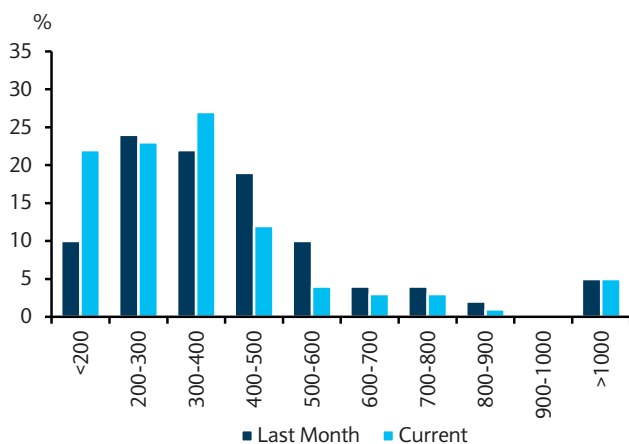
Source: Barclays Research

### High Yield Average Institutional Trade Volume



Source: Barclays Research

### On-the-Run HYCDX Spread Distribution



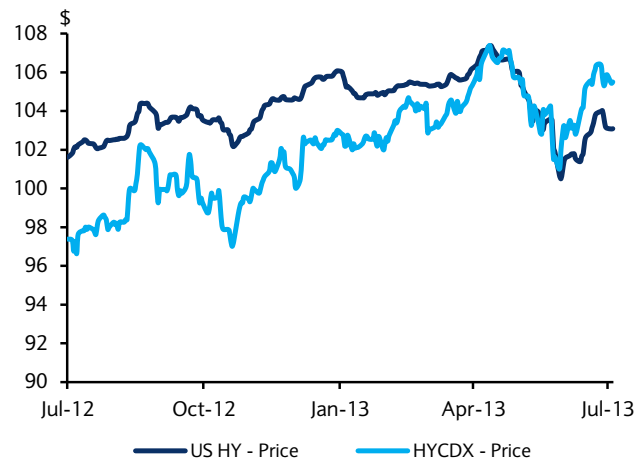
Source: Barclays Research

### Top On-the-Run CDX Index Names by Weekly CDS Volume

|                  | Notional Outstanding (\$bn) |     | Volume – Week Ending 7/26/13 (\$mn) |
|------------------|-----------------------------|-----|-------------------------------------|
|                  | Gross                       | Net | Gross                               |
| R.R. Donnelley   | 24.7                        | 1.4 | 906.3                               |
| CenturyLink      | 20.5                        | 1.1 | 522.5                               |
| RadioShack       | 19.4                        | 0.8 | 466.0                               |
| MBIA Insurance   | 63.6                        | 1.7 | 371.0                               |
| Radian Group     | 33.9                        | 1.1 | 327.7                               |
| MGIC Investment  | 27.4                        | 1.1 | 309.1                               |
| Clear Channel    | 24.0                        | 1.0 | 265.0                               |
| J. C. Penney     | 23.3                        | 1.7 | 259.3                               |
| Kinder Morgan EP | 8.7                         | 0.7 | 247.5                               |
| Putte Group      | 21.5                        | 1.1 | 203.5                               |

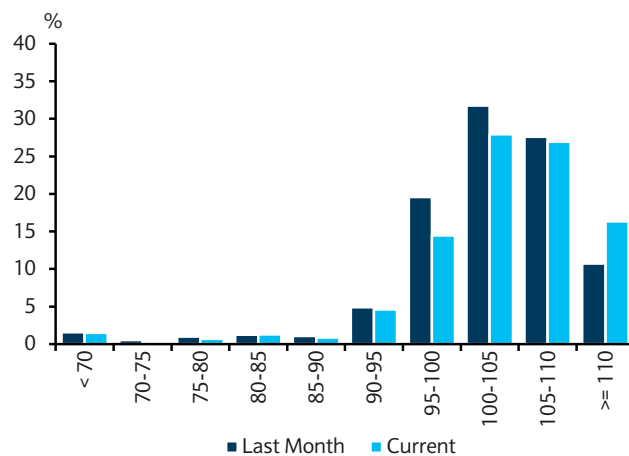
Source: Barclays Research

### On-the-Run HYCDX versus U.S. High Yield Index



Source: Barclays Research

### High Yield Index Price Distribution by Par



Source: Barclays Research

### Analyst Certification

We, Eric Gross, Ellie Lan and Bradley Rogoff, CFA, hereby certify (1) that the views expressed in this research report accurately reflect our personal views about any or all of the subject securities or issuers referred to in this research report and (2) no part of our compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

### Important Disclosures:

Barclays Research is a part of the Corporate and Investment Banking division of Barclays Bank PLC and its affiliates (collectively and each individually, "Barclays"). For current important disclosures regarding companies that are the subject of this research report, please send a written request to: Barclays Research Compliance, 745 Seventh Avenue, 17th Floor, New York, NY 10019 or refer to <http://publicresearch.barclays.com> or call 212-526-1072.

Barclays Capital Inc. and/or one of its affiliates does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that Barclays may have a conflict of interest that could affect the objectivity of this report. Barclays Capital Inc. and/or one of its affiliates regularly trades, generally deals as principal and generally provides liquidity (as market maker or otherwise) in the debt securities that are the subject of this research report (and related derivatives thereof). Barclays trading desks may have either a long and / or short position in such securities, other financial instruments and / or derivatives, which may pose a conflict with the interests of investing customers. Where permitted and subject to appropriate information barrier restrictions, Barclays fixed income research analysts regularly interact with its trading desk personnel regarding current market conditions and prices. Barclays fixed income research analysts receive compensation based on various factors including, but not limited to, the quality of their work, the overall performance of the firm (including the profitability of the investment banking department), the profitability and revenues of the Fixed Income, Currencies and Commodities Division and the potential interest of the firm's investing clients in research with respect to the asset class covered by the analyst. To the extent that any historical pricing information was obtained from Barclays trading desks, the firm makes no representation that it is accurate or complete. All levels, prices and spreads are historical and do not represent current market levels, prices or spreads, some or all of which may have changed since the publication of this document. Barclays produces various types of research including, but not limited to, fundamental analysis, equity-linked analysis, quantitative analysis, and trade ideas. Recommendations contained in one type of research may differ from recommendations contained in other types of research, whether as a result of differing time horizons, methodologies, or otherwise. Unless otherwise indicated, Barclays trade ideas are provided as of the date of this report and are subject to change without notice due to changes in prices. In order to access Barclays Statement regarding Research Dissemination Policies and Procedures, please refer to <https://live.barcap.com/publiccp/RSR/nyfipubs/disclaimer/disclaimer-research-dissemination.html>.

### Disclaimer

This publication has been prepared by the Corporate and Investment Banking division of Barclays Bank PLC and/or one or more of its affiliates (collectively and each individually, "Barclays"). It has been issued by one or more Barclays legal entities within its Corporate and Investment Banking division as provided below. It is provided to our clients for information purposes only, and Barclays makes no express or implied warranties, and expressly disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to any data included in this publication. Barclays will not treat unauthorized recipients of this report as its clients. Prices shown are indicative and Barclays is not offering to buy or sell or soliciting offers to buy or sell any financial instrument.

Without limiting any of the foregoing and to the extent permitted by law, in no event shall Barclays, nor any affiliate, nor any of their respective officers, directors, partners, or employees have any liability for (a) any special, punitive, indirect, or consequential damages; or (b) any lost profits, lost revenue, loss of anticipated savings or loss of opportunity or other financial loss, even if notified of the possibility of such damages, arising from any use of this publication or its contents.

Other than disclosures relating to Barclays, the information contained in this publication has been obtained from sources that Barclays Research believes to be reliable, but Barclays does not represent or warrant that it is accurate or complete. Barclays is not responsible for, and makes no warranties whatsoever as to, the content of any third-party web site accessed via a hyperlink in this publication and such information is not incorporated by reference.

The views in this publication are those of the author(s) and are subject to change, and Barclays has no obligation to update its opinions or the information in this publication. The analyst recommendations in this publication reflect solely and exclusively those of the author(s), and such opinions were prepared independently of any other interests, including those of Barclays and/or its affiliates. This publication does not constitute personal investment advice or take into account the individual financial circumstances or objectives of the clients who receive it. The securities discussed herein may not be suitable for all investors. Barclays recommends that investors independently evaluate each issuer, security or instrument discussed herein and consult any independent advisors they believe necessary. The value of and income from any investment may fluctuate from day to day as a result of changes in relevant economic markets (including changes in market liquidity). The information herein is not intended to predict actual results, which may differ substantially from those reflected. Past performance is not necessarily indicative of future results.

This communication is being made available in the UK and Europe primarily to persons who are investment professionals as that term is defined in Article 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005. It is directed at, and therefore should only be relied upon by, persons who have professional experience in matters relating to investments. The investments to which it relates are available only to such persons and will be entered into only with such persons. Barclays Bank PLC is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority and is a member of the London Stock Exchange.

The Corporate and Investment Banking division of Barclays undertakes U.S. securities business in the name of its wholly owned subsidiary Barclays Capital Inc., a FINRA and SIPC member. Barclays Capital Inc., a U.S. registered broker/dealer, is distributing this material in the United States and, in connection therewith accepts responsibility for its contents. Any U.S. person wishing to effect a transaction in any security discussed herein should do so only by contacting a representative of Barclays Capital Inc. in the U.S. at 745 Seventh Avenue, New York, New York 10019.

Non-U.S. persons should contact and execute transactions through a Barclays Bank PLC branch or affiliate in their home jurisdiction unless local regulations permit otherwise.

Barclays Bank PLC, Paris Branch (registered in France under Paris RCS number 381 066 281) is regulated by the Autorité des marchés financiers and the Autorité de contrôle prudentiel. Registered office 34/36 Avenue de Friedland 75008 Paris.

This material is distributed in Canada by Barclays Capital Canada Inc., a registered investment dealer and member of IIROC ([www.iiroc.ca](http://www.iiroc.ca)).

Subject to the conditions of this publication as set out above, Absa Capital, the Investment Banking Division of Absa Bank Limited, an authorised financial services provider (Registration No.: 1986/004794/06. Registered Credit Provider Reg No NCRCP7), is distributing this material in South Africa. Absa Bank Limited is regulated by the South African Reserve Bank. This publication is not, nor is it intended to be, advice as defined and/or contemplated in the (South African) Financial Advisory and Intermediary Services Act, 37 of 2002, or any other financial, investment, trading, tax, legal, accounting, retirement, actuarial or other professional advice or service whatsoever. Any South African person or entity wishing to effect a transaction in any security discussed herein should do so only by contacting a representative of Absa Capital in South Africa, 15 Alice Lane, Sandton, Johannesburg, Gauteng 2196. Absa Capital is an affiliate of

Barclays.

In Japan, foreign exchange research reports are prepared and distributed by Barclays Bank PLC Tokyo Branch. Other research reports are distributed to institutional investors in Japan by Barclays Securities Japan Limited. Barclays Securities Japan Limited is a joint-stock company incorporated in Japan with registered office of 6-10-1 Roppongi, Minato-ku, Tokyo 106-6131, Japan. It is a subsidiary of Barclays Bank PLC and a registered financial instruments firm regulated by the Financial Services Agency of Japan. Registered Number: Kanto Zaimukyokuchō (kinsho) No. 143.

Barclays Bank PLC, Hong Kong Branch is distributing this material in Hong Kong as an authorised institution regulated by the Hong Kong Monetary Authority. Registered Office: 41/F, Cheung Kong Center, 2 Queen's Road Central, Hong Kong.

This material is issued in Taiwan by Barclays Capital Securities Taiwan Limited. This material on securities not traded in Taiwan is not to be construed as 'recommendation' in Taiwan. Barclays Capital Securities Taiwan Limited does not accept orders from clients to trade in such securities. This material may not be distributed to the public media or used by the public media without prior written consent of Barclays.

This material is distributed in South Korea by Barclays Capital Securities Limited, Seoul Branch.

All equity research material is distributed in India by Barclays Securities (India) Private Limited (SEBI Registration No: INB/INF 231292732 (NSE), INB/INF 011292738 (BSE), Registered Office: 208 | Ceejay House | Dr. Annie Besant Road | Shivasagar Estate | Worli | Mumbai - 400 018 | India, Phone: + 91 22 67196363). Other research reports are distributed in India by Barclays Bank PLC, India Branch.

Barclays Bank PLC Frankfurt Branch distributes this material in Germany under the supervision of Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin).

This material is distributed in Malaysia by Barclays Capital Markets Malaysia Sdn Bhd.

This material is distributed in Brazil by Banco Barclays S.A.

This material is distributed in Mexico by Barclays Bank Mexico, S.A.

Barclays Bank PLC in the Dubai International Financial Centre (Registered No. 0060) is regulated by the Dubai Financial Services Authority (DFSA). Principal place of business in the Dubai International Financial Centre: The Gate Village, Building 4, Level 4, PO Box 506504, Dubai, United Arab Emirates. Barclays Bank PLC-DIFC Branch, may only undertake the financial services activities that fall within the scope of its existing DFSA licence. Related financial products or services are only available to Professional Clients, as defined by the Dubai Financial Services Authority.

Barclays Bank PLC in the UAE is regulated by the Central Bank of the UAE and is licensed to conduct business activities as a branch of a commercial bank incorporated outside the UAE in Dubai (Licence No.: 13/1844/2008, Registered Office: Building No. 6, Burj Dubai Business Hub, Sheikh Zayed Road, Dubai City) and Abu Dhabi (Licence No.: 13/952/2008, Registered Office: Al Jazira Towers, Hamdan Street, PO Box 2734, Abu Dhabi).

Barclays Bank PLC in the Qatar Financial Centre (Registered No. 00018) is authorised by the Qatar Financial Centre Regulatory Authority (QFCRA). Barclays Bank PLC-QFC Branch may only undertake the regulated activities that fall within the scope of its existing QFCRA licence. Principal place of business in Qatar: Qatar Financial Centre, Office 1002, 10th Floor, QFC Tower, Diplomatic Area, West Bay, PO Box 15891, Doha, Qatar. Related financial products or services are only available to Business Customers as defined by the Qatar Financial Centre Regulatory Authority.

This material is distributed in the UAE (including the Dubai International Financial Centre) and Qatar by Barclays Bank PLC.

This material is distributed in Saudi Arabia by Barclays Saudi Arabia ('BSA'). It is not the intention of the publication to be used or deemed as recommendation, option or advice for any action (s) that may take place in future. Barclays Saudi Arabia is a Closed Joint Stock Company, (CMA License No. 09141-37). Registered office Al Faisaliah Tower, Level 18, Riyadh 11311, Kingdom of Saudi Arabia. Authorised and regulated by the Capital Market Authority, Commercial Registration Number: 1010283024.

This material is distributed in Russia by OOO Barclays Capital, affiliated company of Barclays Bank PLC, registered and regulated in Russia by the FSFM. Broker License #177-11850-100000; Dealer License #177-11855-010000. Registered address in Russia: 125047 Moscow, 1st Tverskaya-Yamskaya str. 21.

This material is distributed in Singapore by the Singapore branch of Barclays Bank PLC, a bank licensed in Singapore by the Monetary Authority of Singapore. For matters in connection with this report, recipients in Singapore may contact the Singapore branch of Barclays Bank PLC, whose registered address is One Raffles Quay Level 28, South Tower, Singapore 048583.

Barclays Bank PLC, Australia Branch (ARBN 062 449 585, AFSL 246617) is distributing this material in Australia. It is directed at 'wholesale clients' as defined by Australian Corporations Act 2001.

IRS Circular 230 Prepared Materials Disclaimer: Barclays does not provide tax advice and nothing contained herein should be construed to be tax advice. Please be advised that any discussion of U.S. tax matters contained herein (including any attachments) (i) is not intended or written to be used, and cannot be used, by you for the purpose of avoiding U.S. tax-related penalties; and (ii) was written to support the promotion or marketing of the transactions or other matters addressed herein. Accordingly, you should seek advice based on your particular circumstances from an independent tax advisor.

© Copyright Barclays Bank PLC (2013). All rights reserved. No part of this publication may be reproduced in any manner without the prior written permission of Barclays. Barclays Bank PLC is registered in England No. 1026167. Registered office 1 Churchill Place, London, E14 5HP. Additional information regarding this publication will be furnished upon request.

