

Strategy and positioning (relative to risk free rate)	Threadneedle view	Risks to our view
Duration (10-year) 	<ul style="list-style-type: none"> Key EU meetings: Looking for a possible disappointment but initial reaction could be positive. Underweight JGBs on debt level and poor valuation Favour curve flatteners in US, UK & Core Europe Significant risks to global growth outlook remain 	<ul style="list-style-type: none"> Short term euro 'bazooka' Internationally co-ordinated monetisation An upside surprise in economic data Money printing causes curve to steepen International agreement to regulate FX markets and/or behaviour in markets Change in calibre of EFSF/ESM
Currency 	<ul style="list-style-type: none"> Long USD vs. JPY, CHF, EUR Long Asian FX vs. European FX on structural need for appreciation CHF the most expensive currency in the world Long EUR vs. SEK 	<ul style="list-style-type: none"> EM central bank diversification into £ and € inflates values Credible fiscal steps in Japan boosts JPY Positioning unwinds in Asia USD sell off following rating downgrade
Emerging Markets Local (rates and currency) 	<ul style="list-style-type: none"> Received in selective short end rates Neutral FX given macro uncertainty 	<ul style="list-style-type: none"> Short-term bouts of risk aversion Policy mistakes
Emerging Markets Sovereign Credit (USD denominated) 	<ul style="list-style-type: none"> Attractive risk/return profile Solid credit fundamentals Spreads have widened creating a buying opportunity 	<ul style="list-style-type: none"> Hard landing in China
Investment Grade Corp 	<ul style="list-style-type: none"> Although tail risk remains elevated, spreads exhibiting considerable value against macro outlook and balance sheet fundamentals Some evidence of retail and institutional inflows given low gilt yields and volatility elsewhere. 	<ul style="list-style-type: none"> Eurozone problems produce bank/financial contagion Spreads already very tight if viewed against local government yields rather than bunds
High Yield Corporate 	<ul style="list-style-type: none"> Spreads wide vs. default rates, which will remain low Inherently low interest rate duration Demand for income in a low growth world 	<ul style="list-style-type: none"> Developed market growth < 1.5% (recession fears) Risk of forced selling on asset class outflows
ABS / MBS 	<ul style="list-style-type: none"> Outsized liquidity premiums persist Will benefit from low rates and demand for income Attractive levels of credit enhancement 	<ul style="list-style-type: none"> Sharp deterioration in property values Renewed crisis inflates liquidity premia Outperformed senior financials over past two months – expect this to continue in the near term
Commodities 	<ul style="list-style-type: none"> Near-term macro headwinds overwhelm supply/demand imbalance and low inventories China tightening monetary policy European crisis 	<ul style="list-style-type: none"> Financial crisis China credit crisis

Important notes

For Investment Professionals use only, not to be relied upon by private investors. Past performance is not a guide to the future. The value of investments and any income from them can go down as well as up. This material is for information only and does not constitute an offer or solicitation of an order to buy or sell any securities or other financial instruments, or to provide investment advice or services. The mention of any specific shares or bonds should not be taken as a recommendation to deal. The research and analysis included in this document has been produced by Threadneedle Investments for its own investment management activities, may have been acted upon prior to publication and is made available here incidentally. Any opinions expressed are made as at the date of publication but are subject to change without notice. Information obtained from external sources is believed to be reliable but its accuracy or completeness cannot be guaranteed. Issued by Threadneedle Investment Services Limited. Registered in England and Wales, Registered No. 3701768, St Mary Axe, London EC3A 8JQ, United Kingdom. Authorised and regulated in the UK by the Financial Services Authority. Issued in Hong Kong by Threadneedle Portfolio Services Hong Kong Limited ("TPSHKL"). Registered Office: 21F ICBC Tower, Citibank Plaza, Central, Hong Kong. Registered in Hong Kong under the Companies Ordinance (Chapter 32), No. 173058. Authorised and regulated in Hong Kong by the Securities and Futures Commission. Please note that TPSHKL can only deal with professional investors in Hong Kong within the meaning of the Securities and Futures Ordinance. The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this document you should obtain independent professional advice. Issued in Singapore by Threadneedle Investments Singapore (Pte) Limited, 07-07 Winsland House 1, 3 Killiney Road, Singapore 239519. Any Fund mentioned in this document is a restricted scheme in Singapore, and is available only to residents of Singapore who are Institutional Investors under Section 304 of the SFA, relevant persons pursuant to Section 305(1), or any person pursuant to Section 305(2) in accordance with the conditions of, any other applicable provision of the SFA. Threadneedle funds are not authorised or recognised by the Monetary Authority of Singapore (the "MAS") and Shares are not allowed to be offered to the retail public. This document is not a prospectus as defined in the SFA. Accordingly, statutory liability under the SFA in relation to the content of prospectuses would not apply. Threadneedle Investments is a brand name and both the Threadneedle Investments name and logo are trademarks or registered trademarks of the Threadneedle group of companies.