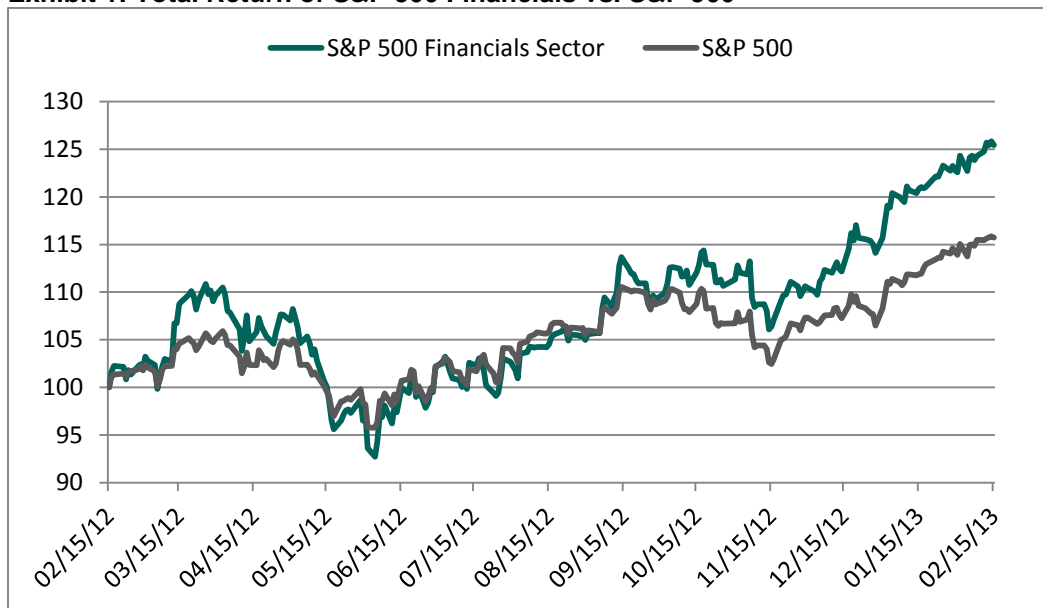


February 28, 2013

LEADING INDICATOR OR CONFIRMING EVIDENCE?

For the 12 months ended February 15, 2013, the S&P 500® registered a total return of 15.7%. As in any market rally, there was considerable divergence across sectors. In this case, the leading sector was Financials, with a gain of 25.4%. The incremental performance of the Financials sector did not accrue evenly over the course of the past 12 months – Financials ran neck and neck with the S&P 500 until the middle of September 2012, at which point they began to pull away.

Exhibit 1: Total Return of S&P 500 Financials vs. S&P 500



Source: S&P Dow Jones Indices. Charts are provided for illustrative purposes. Past performance is not an indication of future results.

It appears clear that the equity market, as represented by the S&P 500, took a positive view of the Financials sector. The bond market gives us another way of assessing the Financials sector’s prospects – through credit default swaps. The price of credit default swaps lets us observe the relative riskiness of the debt of various issuers. Exhibit 2 shows us that the cost of insuring Financials sector debt, as tracked by the **S&P/ISDA CDS U.S. Financials Select 10 Index**, declined dramatically over the past year.¹ CDS rates fell literally by 50 percent between the spring of 2012 and the turn of the year.

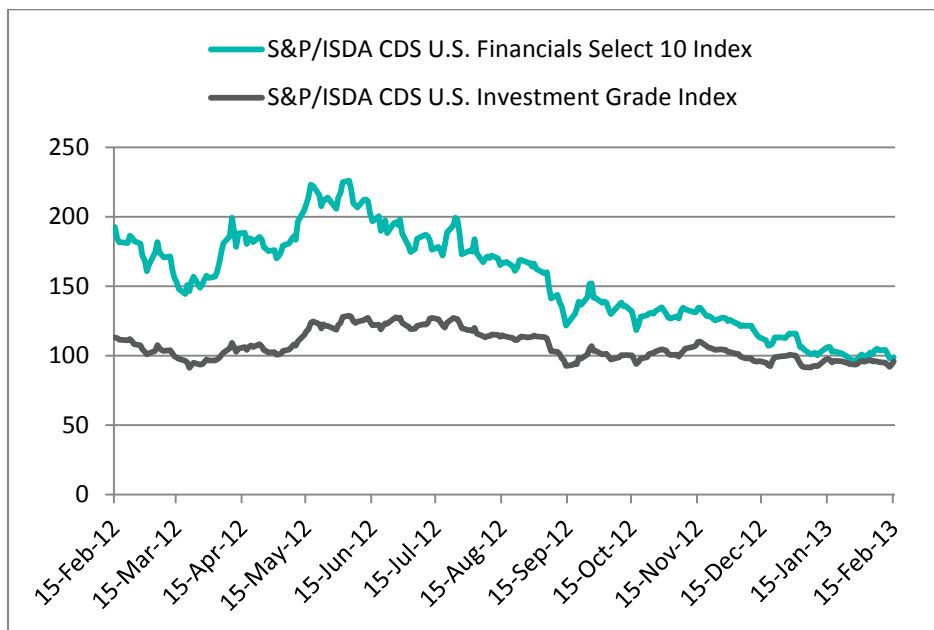
The decline for the Financials sector is even more dramatic when considered in context: CDS rates were more or less constant in the investment grade debt market generally, as shown by the **S&P/ISDA CDS U.S. Investment Grade Index**. This means, as Exhibit 3 highlights, that the market’s judgment of the *relative* risk of debt in the Financials sector improved dramatically. The improvement began in May 2012, four months *before* the Financials stocks began to pull away from the S&P 500.

¹ CDS spread data are reported in basis points, so that “200” indicates at cost of 200 basis points to insure against loss for five years.

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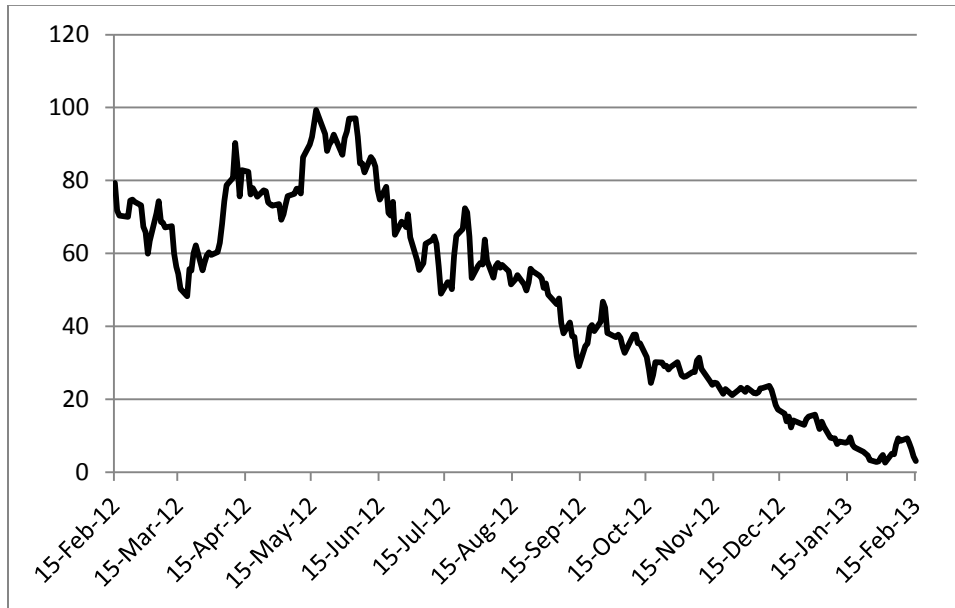
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Exhibit 2: CDS Spreads, Financials vs. All Investment Grade Issues



Source: S&P Dow Jones Indices. Data as of Feb. 15, 2013. Charts are provided for illustrative purposes. This chart may reflect hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

Exhibit 3: Difference Between Cost of Financial CDS and Investment Grade CDS



Source: S&P Dow Jones Indices. Data as of Feb. 15, 2013. Charts are provided for illustrative purposes. This chart may reflect hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

Whether CDS spreads are a reliable leading indicator of equity prices is a subject we leave for another day. For now, though, we think it's remarkable to observe how **the fixed income market's bullishness is also reflected in equity prices.**

About S&P Dow Indices

S&P Dow Jones Indices LLC, a subsidiary of The McGraw-Hill Companies, Inc., is the world's largest, global resource for index-based concepts, data and research. Home to iconic financial market indicators, such as the S&P 500 and the Dow Jones Industrial AverageSM, S&P Dow Jones Indices LLC has over 115 years of experience constructing innovative and transparent solutions that fulfill the needs of institutional and retail investors. More assets are invested in products based upon our indices than any other provider in the world. With over 830,000 indices covering a wide range of assets classes across the globe, S&P Dow Jones Indices LLC defines the way investors measure and trade the markets. To learn more about our company, please visit www.spdji.com.

Performance Disclosures

The inception date of the S&P/ISDA CDS U.S. Financials Select 10 was March 20, 2012, at the market close. All information presented prior to the index inception date is back-tested. Back-tested performance is not actual performance, but is hypothetical. The back-test calculations are based on the same methodology that was in effect when the index was officially launched. Complete index methodology details are available at www.spindices.com.

Past performance is not an indication of future results. Prospective application of the methodology used to construct these indices may not result in performance commensurate with the back-test returns shown. The back-test period does not necessarily correspond to the entire available history of the index. Please refer to the methodology paper for the index, available at www.spdji.com or www.spindices.com for more details about the index, including the manner in which it is rebalanced, the timing of such rebalancing, criteria for additions and deletions, as well as all index calculations. It is not possible to invest directly in an Index.

Another limitation of back-tested hypothetical information is that generally the back-tested calculation is prepared with the benefit of hindsight. Back-tested data reflect the application of the index methodology and selection of index constituents in hindsight. No hypothetical record can completely account for the impact of financial risk in actual trading. For example, there are numerous factors related to the equities (or fixed income, or commodities) markets in general which cannot be, and have not been accounted for in the preparation of the index information set forth, all of which can affect actual performance.

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