

Strategy and positioning (relative to risk free rate)	Threadneedle view	Risks to our view
<b>Duration (10-year)</b> 	<ul style="list-style-type: none"> <li>Data continues to improve in US with jobs figures</li> <li>Significant risks to global growth outlook remain</li> <li>France and Spain most expensive eurozone bonds</li> <li>Short duration in UK</li> </ul>	<ul style="list-style-type: none"> <li>International agreement to regulate FX markets and/or behaviour in markets</li> <li>Non-core eurozone spreads tightening</li> </ul>
<b>Currency</b> 	<ul style="list-style-type: none"> <li>Short EUR vs. USD &amp; GBP</li> <li>Short USD vs. MYR, RUB, KRW &amp; SGD and long vs. JPY</li> <li>Short AUD vs. MXN and CLP</li> <li>Long NOK vs. SEK, short NZD vs. CAD</li> </ul>	<ul style="list-style-type: none"> <li>Credible fiscal steps in Japan boosts JPY</li> <li>Positioning unwinds in Asia</li> </ul>
<b>Emerging Markets Local (rates and currency)</b> 	<ul style="list-style-type: none"> <li>Received in selective short end rates</li> <li>Neutral FX</li> </ul>	<ul style="list-style-type: none"> <li>Policy mistakes</li> <li>Short-term bouts of risk aversion</li> </ul>
<b>Emerging Markets Sovereign Credit (USD denominated)</b> 	<ul style="list-style-type: none"> <li>Attractive risk/return profile</li> <li>Solid credit fundamentals</li> <li>Spreads have widened creating a buying opportunity</li> </ul>	<ul style="list-style-type: none"> <li>Significant slowdown in external demand</li> <li>Policy error</li> </ul>
<b>Investment Grade Corp</b> 	<ul style="list-style-type: none"> <li>Spreads exhibiting considerable value against macro outlook and balance sheet fundamentals</li> <li>Buoyant new issue market indicates return of investor confidence in asset class</li> <li>Bank fundamentals supported by recent policy developments – ECB 3 year LTRO</li> </ul>	<ul style="list-style-type: none"> <li>Eurozone problems produce bank/financial contagion</li> <li>Spreads tight if viewed against local government yields rather than bunds</li> </ul>
<b>High Yield Corporate</b> 	<ul style="list-style-type: none"> <li>Spreads wide vs. forecast default rates</li> <li>Inherently low interest rate duration</li> <li>Demand for income in a low growth world</li> </ul>	<ul style="list-style-type: none"> <li>Default rates surprise to the upside</li> <li>Europe &lt; 1% growth (recession fears)</li> <li>Risk of forced selling on asset class outflows</li> </ul>
<b>ABS / MBS</b> 	<ul style="list-style-type: none"> <li>Outsized liquidity premiums persist</li> <li>Will benefit from low rates and demand for income</li> <li>Attractive levels of credit enhancement</li> </ul>	<ul style="list-style-type: none"> <li>Prolonged deterioration in property values</li> <li>Regulatory discrimination</li> </ul>
<b>Commodities</b> 	<ul style="list-style-type: none"> <li>Industrial demand basing should improve</li> <li>China now neutral – confident of continued 8% growth</li> <li>Tight physical oil markets/geopolitical troubles – bullish</li> </ul>	<ul style="list-style-type: none"> <li>Financial crisis causing financial system to fail</li> <li>China hard landing</li> </ul>

## Important notes

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