Bond Demand Outlook

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Economic policy impact on global ETP flows

Unless otherwise specified, all information is sourced from BlackRock ETP Landscape. Data as at end of December 2013.
Focus: short duration, floaters, high yield

Duration flows in 2013 (Mutual fund flows, Bn USD)

HY Monthly ETP flows (Mn USD)

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What does FLEXIBLE mean for demand?

Flows into non-benchmarked, total return flexible bond funds over the past 2 years (EUR mm)

Sample of the 12 largest flexible bond funds across EUR and USD. Source: Bloomberg
Demand destruction – still the case for periphery?

Geographic Breakdown of 30 yr SPGB syndications, 2009 vs 2013

<table>
<thead>
<tr>
<th>Region</th>
<th>SPGB 5.15 2044, 8 October 2013</th>
<th>SPGB 4.7 2041, 21 September 2009</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>28%</td>
<td>21%</td>
<td>7%</td>
</tr>
<tr>
<td>Spain</td>
<td>35%</td>
<td>44%</td>
<td>-9%</td>
</tr>
<tr>
<td>Other Eurozone</td>
<td>16%</td>
<td>30%</td>
<td>-14%</td>
</tr>
<tr>
<td>Nordic</td>
<td>8%</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>US</td>
<td>10%</td>
<td>0%</td>
<td>10%</td>
</tr>
<tr>
<td>Other non-Eurozone</td>
<td>3%</td>
<td>1%</td>
<td>2%</td>
</tr>
</tbody>
</table>

Change

-20% 0% 10% 20% 30% 40% 50%
Regulations – can we expect much influence on demand?

Should we expect any change in demand patterns from either LCR or Solvency II?

Capital charges for various assets vs AAA rated sovereign

G4 pension funds and insurance companies asset split

Source: BlackRock; Credit Agricole, JPM
Major DM central banks have injected $7tn in liquidity since 2007, and will likely inject another ~$1tn by end-2014.

Source: Haver Analytics, Deutsche Bank Research, individual central banks
Japan - MOF Data: Flows into Core and Peripheral Europe

Flows into Bonds & Notes in Core Europe (in JPY 100m)

Flows into Bonds & Notes in Peripheral Europe (in JPY 100m)

Source: Japan MoF