

January 2019

- Credit spreads contracted in risk-on rally in January
- The iTraxx European Performance Credit Index rose by 3.54 %
- The iTraxx Crossover Long Credit Index rose by 2.21%

Market overview

January was characterised by a relief rally in global risk assets caused by dovish comments of the FED and the ECB. Equities recovered 8000 billion in market cap since minimum values in December.

The increased risk appetite resulted in tighter spread levels European credit. IG represented by iTraxx Main tightened by 17bps (~20%) while European High Yield, reflected by iTraxx Crossover, tightened by 45bps (~13%) showing a reversal of the Dec. moves.

Spreads on major indices

	31 Jan	31 Dec	MoM change
iTraxx Main 5y	70.17	87.37	↓
iTraxx Crossover 5y	308.18	352.70	↓
CDX North Am IG 5y	66.11	87.75	↓
CDX North Am HY 5y	352.59	449.15	↓

Data: Tabula, 31 January 2019

Tabula European Performance Credit UCITS ETF

The iTraxx European Performance Credit Index, the reference index for the Tabula European Performance Credit UCITS ETF (TCEP), was up by 3.54% in January.

Tightening credit spreads were the key driver of this positive performance. The index has exposure to iTraxx Main and iTraxx Crossover and, by selling protection on both indices, it is effectively long credit. As a result, it will benefit when spreads tighten. Spreads on both iTraxx Main and iTraxx Crossover tightened substantially in January, leading to a positive performance contribution of 317bps. This was further improved by positive carry.

The estimated one year yield for TCEP dropped and now stands at 4.92% excluding management fees.

Tabula European iTraxx Crossover Credit UCITS ETF

The iTraxx Crossover Long Credit Index, the reference index for the Tabula iTraxx Crossover Credit UCITS ETF (TECC), was up by 2.21% in January.

High yield credit spreads came in by 45bps leading to a positive performance contribution of 191bps, further supported by income from the carry. The ETF has exposure iTraxx Crossover, by selling protection on the index, which makes it effectively long credit. The sensitivity to movements of the underlying credit spreads is measured in credit duration (DV01). The current DV01 of 4.3 means an approximate 4.3bp increase in the NAV for per bp of spread tightening and vice versa for spread widening.

The estimated one year yield for TECC dropped and now stands at 3.66% excluding management fees.

	1m	YTD	1y	Since TECP launch ¹
Fund	n/a	n/a	n/a	n/a
Index	3.54%	3.54%	-0.37%	0.68%

Data: Tabula / IHS Markit, 31 January 2019. Performance prior 30th April 2018 is simulated by IHS Markit. Past performance (actual or simulated) is not a reliable indicator of future returns. ¹21 August 2018

	1m	YTD	1y	Since TECC launch ¹
Fund	n/a	n/a	n/a	n/a
Index	2.21%	2.21%	-0.63%	1.97%

Data: Tabula / IHS Markit, 31 January 2019. Performance prior 30th April 2018 is simulated by IHS Markit. Past performance (actual or simulated) is not a reliable indicator of future returns. ¹11 December 2018

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