

- Credit spreads contracted in continued risk-asset-rally in February
- The iTraxx European Performance Credit Index rose by 2.17 %
- The iTraxx Crossover Long Credit Index rose by 1.67%

Market overview

February continued the January trend of rising global risk assets besides negative surprises in PMIs and economic sentiment in the US and especially in Europe. But given no negative political surprises from the US, UK and France the equity markets are still set for a record Q1.

The rally also resulted in tighter spread levels in European credit. IG represented by iTraxx Main tightened by 9bps (~12%) while European High Yield, reflected by iTraxx Crossover, tightened by 31bps (~10%) now only 29bps away from the 12m low.

Spreads on major indices

	28 Feb	31 Jan	MoM change
iTraxx Main 5y	61.5	70.2	↓
iTraxx Crossover 5y	277.0	308.2	↓
CDX North Am IG 5y	60.2	66.1	↓
CDX North Am HY 5y	347.9	352.6	↓

Data: Tabula, 28 February 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 2.17% in February.

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 February, leading to a positive performance contribution of 179bps. This was further improved by positive carry.

The estimated one year yield for TCEP dropped and now stands at 4.42% excluding management fees.

	1m	YTD	1y	Since TECP launch ¹
Fund	n/a	n/a	n/a	n/a
Index	2.17%	5.79%	3.36%	2.86%

Data: Tabula / IHS Markit, 28 February 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

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 1.67% in February.

Crossover credit spreads came in by 31bps leading to a positive performance contribution of 134bps, further supported by income from the carry. The ETF has exposure to the 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 3.31% excluding management fees.

	1m	YTD	1y	Since TECC launch ¹
Fund	n/a	n/a	n/a	n/a
Index	1.67%	3.92%	2.04%	3.67%

Data: Tabula / IHS Markit, 28 February 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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