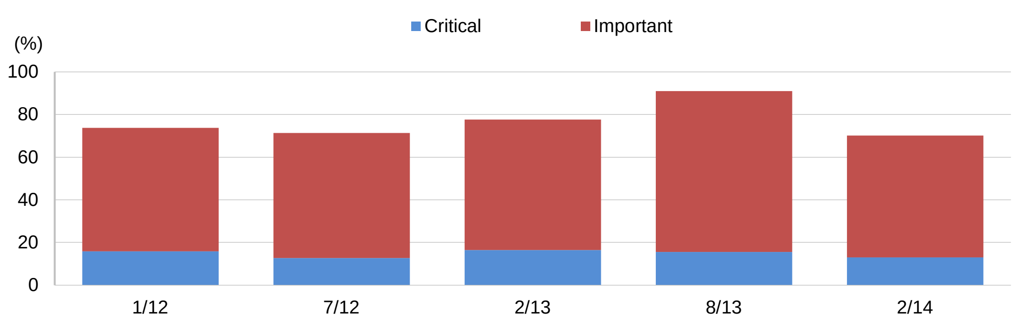
Calmer Macro Environment Fails to Move the Needle on Investor Attachment to Low Interest Rates

Fitch Ratings/Fixed Income Forum Survey

Special Report

Consensus on Growth *and* Support: Investors remain tethered to easy monetary policy despite the strongest positive consensus in two years on U.S. growth, a belief that the recovery in Europe is sustainable and, perhaps most encouraging, good activity in emerging markets. This constructive backdrop notwithstanding, the majority of investors (70%) in the Fitch Ratings/Fixed Income Forum Survey of professional money managers still view monetary support as either important or critical. This is down from a high of 91% recorded last summer, but with the caveat that at the time 43% placed GDP growth over the coming year at less than 2%. Only a few shared that sober opinion now.

How Important is Easy Monetary Policy?



Source: Fitch Ratings/Fixed Income Forum Survey.

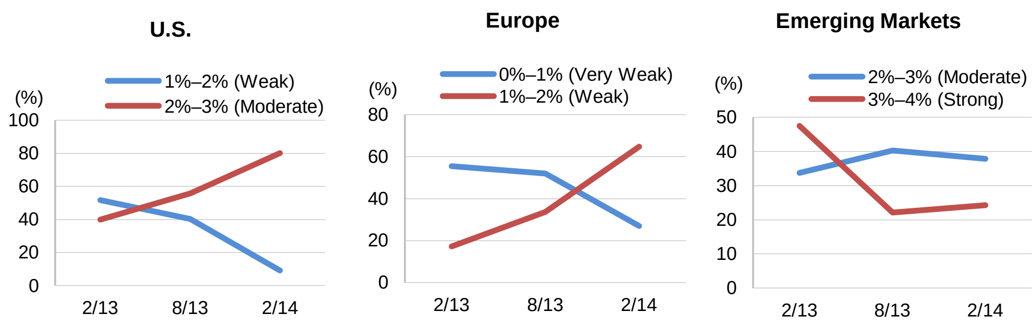
Related Research

Australian Fixed-Income Investor Survey: Cautious Optimism Prevails Despite External Risks (April 2014)

European Senior Fixed-Income Investor Survey (February 2014)

Labor Pains: In the new survey, conducted in February and March, 89% of investors saw U.S. GDP growth of at least 2%–3% over the coming year. Investors shared fairly robust views of lending and housing and expect diminished event risks. However, one area remains strained: employment. While investors see progress in the labor markets, most believe the employment situation is worse than reported in official statistics. This skepticism, which was recently shared by Janet Yellen in her inaugural remarks as the new Federal Reserve Board chair, appears to be at least a key ingredient in shaping the caution around the near-term ability of the U.S. economy to sustain higher interest rates. Select survey responses are discussed below. Full survey results are available beginning on page 6.

Economic Outlook[a]



[a]12-month GDP forecast.
Source: Fitch Ratings/Fixed Income Forum Survey.

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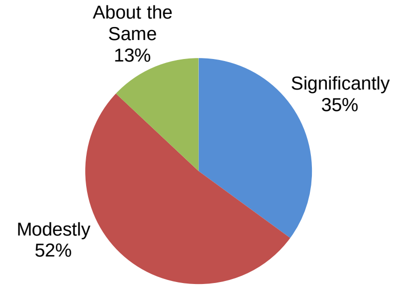
Labor Market Weaker than Reported

Yellen recently commented that the U.S. labor market remains weak — far from what would be considered normal relative to other measures of economic activity at this point in the recovery. Respondents to our survey clearly agree with this assessment. While the group expects the unemployment rate to decline over the coming year, they do not see this figure as an unbiased benchmark of labor-market health. In fact, half believe that the unemployment rate is at least modestly worse than reported and a third say it is significantly worse.

Extent to Which Labor Market Is Weaker than Reported

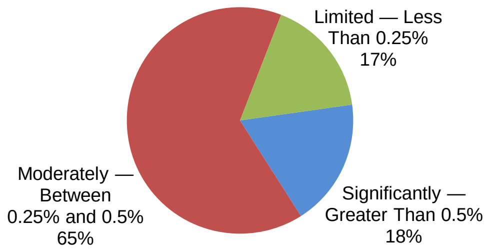


Source: Fitch Ratings/Fixed Income Forum Survey.

Wealth Effect Boosting GDP

The vast majority of investors attribute at least some of the growth in GDP to the wealth effect — a combination of the considerable surge in the stock market over the past year and appreciation in home prices. About two-thirds of respondents believe the wealth effect has added 0.25%–0.5% to GDP. In a related question, and very likely a consequence of the Fed's "low interest rate" mantra, most investors did not view either a decline in the stock market or loss of housing-market momentum as a meaningful risk over the coming year. This suggests that they do not see the two declining, therefore jeopardizing the boost to GDP.

Wealth Effect Boosting U.S. GDP Growth?

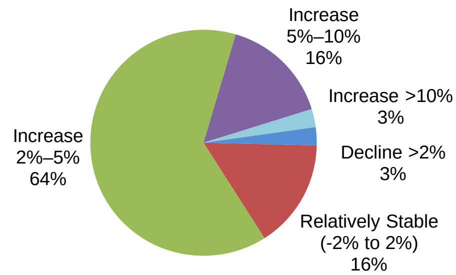


Source: Fitch Ratings/Fixed Income Forum Survey.

Housing Turn Has Legs

Investors in fact believe home prices will appreciate further this year. Most placed home price growth in a range of 2%–5%. While this is slightly more conservative than views expressed in the summer of 2013 (44% had then predicted an increase of 5%–10% nationally), it is also off a higher base. According to the Federal Housing Finance Agency Home Purchase Price Index, home prices in the U.S. were up 7.4% year over year in January.

National Home Prices in 2014



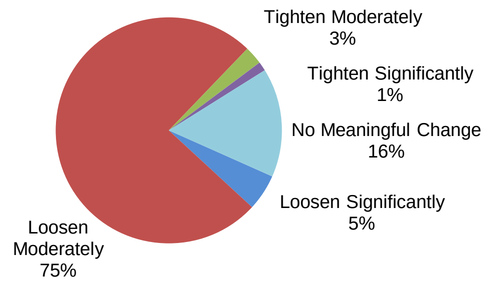
Source: Fitch Ratings/Fixed Income Forum Survey.

Inflation Not on the Radar

Among potential macro worries, investors continue to see inflation as the least worrying (74% considered it a low risk). The area that received the most votes as a top concern was shareholder-oriented transactions, but here too the tally of investors considering this a high risk was only 30%. Across all event risks, in fact, no potential disrupter received significant attention as a high risk — this pointing to this year's calmer macro environment.

Favorable Lending Conditions to Persist

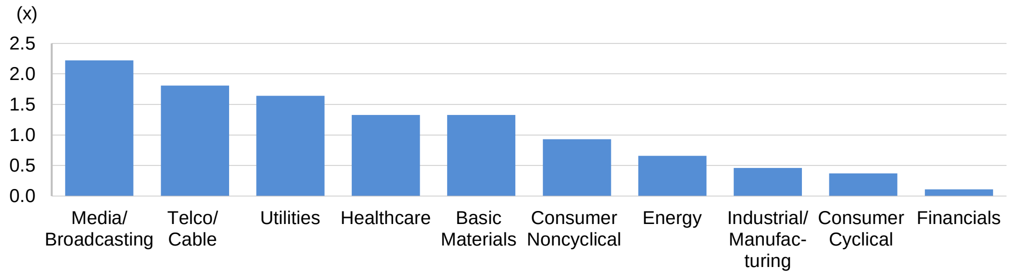
C&I Lending Standards Over the Next Year



Source: Fitch Ratings/Fixed Income Forum Survey.

Opinions were practically unmoved on the topic of lending standards. Similar to the prior two Fitch investor surveys, the lending outlook remains favorable, especially with respect to commercial and industrial loans; on this front, investor opinions have been quite accurate. Commercial and industrial loan activity, modestly on the mend since 2011, has been exceptionally strong in recent quarters. It's also worth noting that since early 2013, along with the steady optimism on credit availability, investors surveyed have consistently called for an improvement in financial institution credit quality. For example, in the latest survey, 74% of respondents said that credit quality was improving for financial institutions, nearly double the share of 40% in mid-2012. When examining the ratio of negative-to-positive sector sentiment, financials had the most pronounced positive bias in the recent survey. Other sectors with a positive skew included consumer cyclicals, manufacturing and energy — all areas sensitive to economic growth and supporting the overall call for a stronger economy this year.

Fitch/FIF Industry Outlook: Deteriorate to Improve Ratio[a]

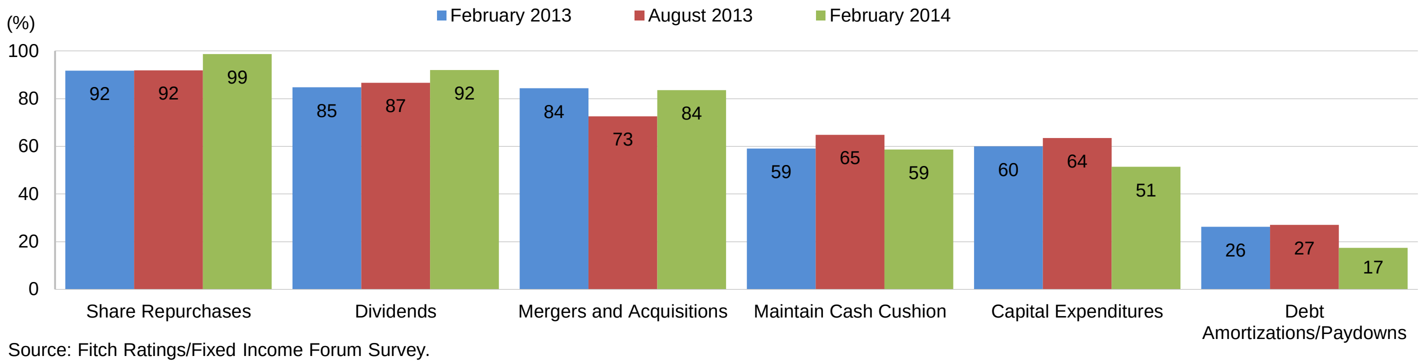


[a]Investors projecting deteriorating credit quality divided by those projecting improving credit quality.
Source: Fitch Ratings/Fixed Income Forum Survey.

Corporate Sentiment Cautious

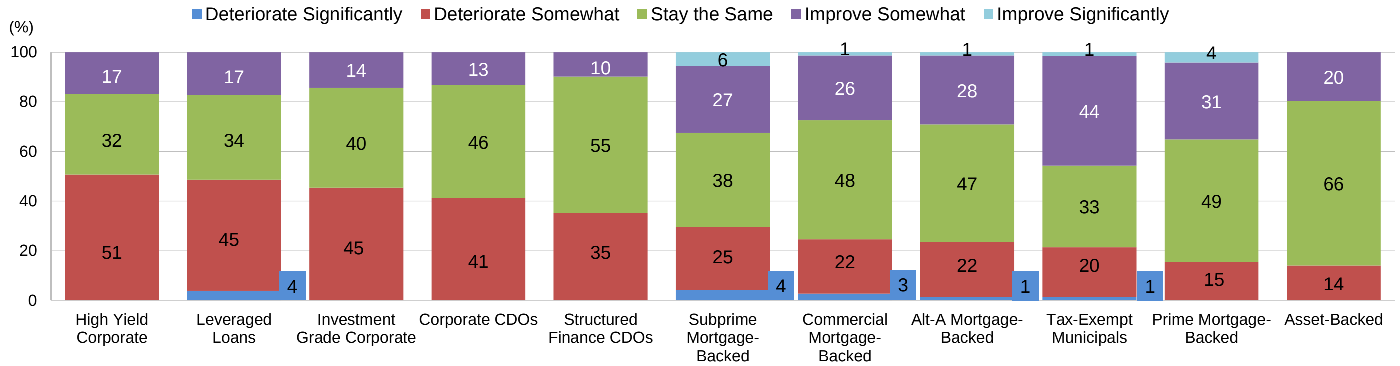
Investors continue to project that the high yield default rate will remain contained in the near term. However, across both high yield and leveraged loans and also investment-grade corporates, about half see some credit deterioration on the horizon. This is likely tied to corporate strategy rather than operating issues. Share repurchases, dividends and M&A are still viewed as leading uses of corporate cash and 83% of respondents predict at least moderately higher corporate leverage over the next 12 months. Related to this, corporate issuance, which has been on a tear, is expected to remain strong.

Significant or Moderate Use of Corporate Cash Over the Next Year



Source: Fitch Ratings/Fixed Income Forum Survey.

View of Fundamental Credit Conditions Over the Next Year by Asset Type

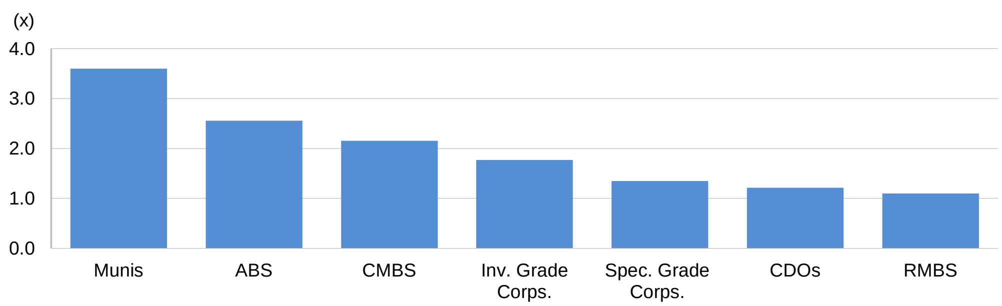


Source: Fitch Ratings/Fixed Income Forum Survey.

Municipal Credit Expected to Improve

Among broad asset categories, investors expressed the most constructive view on municipals, with about 46% expecting credit quality to improve over the coming year. The area that came closest to this was prime mortgage-backed securities, where about a third of investors saw improving conditions. Municipals had the most favorable ratio of investors predicting spread compression versus those predicting the spread widening over the next 12 months.

Fitch/FIF Spread Outlook: Tighten to Widen Ratio[a]



[a]Investors projecting tighter spreads divided by those projecting wider spreads.
Source: Fitch Ratings/Fixed Income Forum Survey.

Survey Methodology

The Fitch Ratings/Fixed Income Forum Survey is designed to provide insight into the opinions of professional money managers on the state of the U.S. credit markets. In conducting this survey, the 16th in the series, a wide range of senior investment personnel (77 total) were queried with respect to matters involving the economy, fundamental credit conditions across various asset classes and sectors, corporate strategy and market developments. The bulk of responses reflect the views of senior investors at traditional asset management firms and insurance companies, with the rest representing the opinions of those operating within the asset management arms of banks and pension funds. Fixed-income assets under management for the firms involved vary from less than $25 billion to greater than $300 billion.

Fitch Ratings/Fixed Income Forum Survey of Senior Investors

(%)

Which of the following best describes your firm?

	1/12	7/12	2/13	8/13	2/14
Traditional Asset Management Firm	51.9	43.2	43.5	50.6	48.1
Insurance Company	27.3	40.9	36.5	26.0	36.4
Asset Management Arm of a Bank	11.7	11.4	10.6	15.6	9.1
Pension Fund	9.1	4.5	7.1	7.8	5.2
Other	0.0	0.0	2.4	0.0	1.3
	100.0	**100.0**	**100.0**	**100.0**	**100.0**

Which of the following best describes the amount of fixed income assets under management at your firm?

	2/13	8/13	2/14
Up to $25 Bil.	30.6	40.8	31.6
$25 Bil.–$50 Bil.	15.3	13.2	13.2
$50 Bil.–$100 Bil.	18.8	13.2	19.7
$100 Bil.–$200 Bil.	12.9	11.8	14.5
$200 Bil.–$300 Bil.	7.1	3.9	5.3
More than $300 Bil.	15.3	17.1	15.8
	100.0	**100.0**	**100.0**

What is the outlook for economic growth across the following regions over the next 12 months?

	U.S.					Europe					Emerging Markets				
	1/12	7/12	2/13	8/13	2/14	1/12	7/12	2/13	8/13	2/14	1/12	7/12	2/13	8/13	2/14
Below 0 (Recession)	0.0	2.3	2.4	0.0	1.3	59.2	61.2	27.2	10.4	2.7	1.3	3.5	0.0	1.3	2.7
0–1 (Very Weak)	5.2	12.8	5.9	2.6	0.0	30.3	35.3	55.6	51.9	27.0	2.7	2.4	3.8	7.8	8.1
1–2 (Weak)	32.5	67.4	51.8	40.3	9.2	10.5	3.5	17.3	33.8	64.9	6.7	15.3	3.8	14.3	18.9
2–3 (Moderate)	62.3	17.4	40.0	55.8	80.3	0.0	0.0	0.0	3.9	5.4	20.0	36.5	33.8	40.3	37.8
3–4 (Strong)	0.0	0.0	0.0	1.3	9.2	0.0	0.0	0.0	0.0	0.0	49.3	35.3	47.5	22.1	24.3
>4 (Very Strong)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	20.0	7.1	11.3	14.3	8.1
	100.0	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Where do you place the U.S. unemployment rate at the end of 2014 and 2015?

	2014		2015
	8/13	2/14	2/14
<6%	5.3	13.3	55.8
6%-7%	76.0	78.7	39.0
7%-8%	17.3	8.0	5.2
8%-9%	1.3	0.0	0.0
>9%	0.0	0.0	0.0
	100.0	**100.0**	**100.0**

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Fitch Ratings/Fixed Income Forum Survey of Senior Investors (Continued)

(%)

To what extent do you think the labor market is weaker than reflected in the official unemployment rate?

	2/14
Significantly	35.1
Modestly	51.9
About the Same	13.0
	100.0

Please rate the degree of risk posed by the following factors to the U.S. credit markets over the next 12 months?

	Shareholder-Oriented Activities (eg, LBOs, M&A, Share Buybacks)					Stock Market Decline				
	1/12	7/12	2/13	8/13	2/14	1/12	7/12	2/13	8/13	2/14
High	10.4	4.5	41.7	28.6	29.9	13.0	19.3	8.3	14.7	26.0
Moderate	53.2	42.0	41.7	45.5	53.2	70.1	70.5	58.3	58.7	57.1
Low	36.4	53.4	16.7	26.0	16.9	16.9	10.2	33.3	26.7	16.9
	100.0	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

	Sovereign Debt Crisis/Contagion					Geopolitical Risk				
	1/12	7/12	2/13	8/13	2/14	1/12	7/12	2/13	8/13	2/14
High	81.8	81.8	24.1	14.5	21.1	76.6	54.5	36.5	28.6	20.8
Moderate	18.2	15.9	66.3	65.8	51.3	22.1	40.9	58.8	58.4	57.1
Low	0.0	2.3	9.6	19.7	27.6	1.3	4.5	4.7	13.0	22.1
	100.0	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

	Significant Increase in Interest Rates					New Healthcare Mandate	
	1/12	7/12	2/13	8/13	2/14	8/13	2/14
High	5.3	3.4	12.9	24.7	18.4	26.3	15.6
Moderate	28.9	21.6	51.8	50.6	43.4	38.2	28.6
Low	65.8	75.0	35.3	24.7	38.2	35.5	55.8
	100.0	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

	Reliance on Foreign Demand for U.S. Fixed Income Assets					Bank Reluctance to Lend				
	1/12	7/12	2/13	8/13	2/14	1/12	7/12	2/13	8/13	2/14
High	15.6	11.4	17.6	7.9	13.0	5.3	8.0	7.1	9.1	8.0
Moderate	59.7	48.9	41.2	46.1	28.6	53.9	64.8	41.2	37.7	33.3
Low	24.7	39.8	41.2	46.1	58.4	40.8	27.3	51.8	53.2	58.7
	100.0	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

	Housing Market Momentum		Inflation				
	8/13	2/14	1/12	7/12	2/13	8/13	2/14
High	10.4	6.5	2.6	2.3	8.3	3.9	2.6
Moderate	37.7	51.9	27.3	20.5	35.7	23.4	23.4
Low	51.9	41.6	70.1	77.3	56.0	72.7	74.0
	100.0	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

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Fitch Ratings/Fixed Income Forum Survey of Senior Investors (Continued)

(%)

How important are the following in the context of supporting the credit markets and ensuring a sustained U.S. economic recovery?

	Improved Labor Market Conditions					Financial Stability in the Euro Zone				
	1/12	**7/12**	**2/13**	**8/13**	**2/14**	**1/12**	**7/12**	**2/13**	**8/13**	**2/14**
Critical	30.3	50.0	27.4	35.1	28.9	59.7	44.8	18.8	11.7	13.2
Important	64.5	45.3	63.1	61.0	61.8	37.7	51.7	78.8	83.1	80.3
Not Important	5.3	4.7	7.1	2.6	7.9	2.6	3.4	2.4	5.2	6.6
Harmful	0.0	0.0	2.4	1.3	1.3	0.0	0.0	0.0	0.0	0.0
	100.0	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

	U.S. Home Price Improvement		Continued Easy Monetary Policy				
	8/13	**2/14**	**1/12**	**7/12**	**2/13**	**8/13**	**2/14**
Critical	11.8	13.0	15.8	12.6	16.5	15.6	13.0
Important	77.6	71.4	57.9	58.6	61.2	75.3	57.1
Not Important	10.5	15.6	15.8	20.7	10.6	3.9	22.1
Harmful	0.0	0.0	10.5	8.0	11.8	5.2	7.8
	100.0	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

	Foreign Interest in U.S. Assets					Expanded Role of the Federal Reserve in the Credit Markets				
	1/12	**7/12**	**2/13**	**8/13**	**2/14**	**1/12**	**7/12**	**2/13**	**8/13**	**2/14**
Critical	13.0	8.0	10.6	9.1	10.4	1.3	1.1	3.6	3.9	2.6
Important	67.5	59.8	62.4	50.6	53.2	28.9	33.3	32.1	71.4	25.0
Not Important	19.5	32.2	24.7	40.3	35.1	34.2	39.1	32.1	14.3	36.8
Harmful	0.0	0.0	2.4	0.0	1.3	35.5	26.4	32.1	10.4	35.5
	100.0	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

What are your expectations for home prices nationally in 2014?

	2/14
Decline >2%	2.6
Relatively Stable (-2% to 2%)	15.6
Increase 2%–5%	63.6
Increase 5%–10%	15.6
Increase >10%	2.6
	100.0

How much do you think the wealth effect (impact of higher home prices/equity markets on confidence and spending) is boosting U.S. GDP growth?

	2/14
Significantly — Greater Than 0.5%	18.2
Moderately — Between 0.25% and 0.5%	64.9
Limited — Less Than 0.25%	16.9
	100.0

Do you think financial stability in the euro zone is sustainable over the next year?

	8/13	**2/14**
Yes	49.4	67.1
No	10.4	10.5
Too Early to Tell	40.3	22.4
	100.0	**100.0**

What is likely to happen to lending conditions over the next year?

	1/12	**7/12**	**2/13**	**8/13**	**2/14**
Standards Will Loosen Significantly	1.3	0.0	3.6	1.3	5.2
Standards Will Loosen Moderately	79.2	56.8	75.0	72.7	75.3
Standards Will Tighten Moderately	3.9	8.0	1.2	0.0	2.6
Standards Will Tighten Significantly	0.0	1.1	1.2	0.0	1.3
No Meaningful Change in Lending Practices	15.6	34.1	19.0	26.0	15.6
	100.0	**100.0**	**100.0**	**100.0**	**100.0**

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Fitch Ratings/Fixed Income Forum Survey of Senior Investors (Continued)

(%)

Over the next 12 months, fundamental credit conditions in the following U.S. asset classes will:

	High Yield Corporate					Leveraged Loans	Investment Grade Corporate					Corporate CDOs				
	1/12	**7/12**	**2/13**	**8/13**	**2/14**	**2/14**	**1/12**	**7/12**	**2/13**	**8/13**	**2/14**	**1/12**	**7/12**	**2/13**	**8/13**	**2/14**
Deteriorate Significantly	0.0	5.7	1.2	3.9	0.0	3.9	0.0	1.1	0.0	0.0	0.0	2.9	1.3	0.0	1.5	0.0
Deteriorate Somewhat	25.0	38.6	51.2	39.5	50.6	44.7	11.7	27.3	51.8	35.5	45.5	15.9	12.7	22.1	28.8	41.2
Stay the Same	36.8	39.8	35.7	36.8	32.5	34.2	50.6	53.4	31.8	42.1	40.3	62.3	69.6	55.8	53.0	45.6
Improve Somewhat	36.8	15.9	11.9	18.4	16.9	17.1	36.4	18.2	16.5	22.4	14.3	17.4	16.5	20.8	16.7	13.2
Improve Significantly	1.3	0.0	0.0	1.3	0.0	0.0	1.3	0.0	0.0	0.0	0.0	1.4	0.0	1.3	0.0	0.0
	100.0	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

	Structured Finance CDOs					Subprime Mortgage-Backed					Commercial Mortgage-Backed					Alt-A Mortgage-Backed				
	1/12	**7/12**	**2/13**	**8/13**	**2/14**	**1/12**	**7/12**	**2/13**	**8/13**	**2/14**	**1/12**	**7/12**	**2/13**	**8/13**	**2/14**	**1/12**	**7/12**	**2/13**	**8/13**	**2/14**
Deteriorate Significantly	2.9	2.5	1.3	1.4	0.0	1.5	4.8	0.0	1.4	4.2	2.9	0.0	1.3	1.4	2.7	0.0	3.6	0.0	1.4	1.4
Deteriorate Somewhat	22.1	16.3	12.7	24.6	35.2	30.9	25.0	12.5	30.0	25.4	22.1	24.1	10.0	22.2	21.9	19.1	17.9	10.1	18.8	22.2
Stay the Same	58.8	62.5	67.1	59.4	54.9	41.2	40.5	35.0	34.3	38.0	32.4	34.9	36.3	40.3	47.9	42.6	46.4	36.7	40.6	47.2
Improve Somewhat	16.2	18.8	17.7	14.5	9.9	26.5	28.6	46.3	32.9	26.8	42.6	41.0	48.8	34.7	26.0	38.2	32.1	48.1	37.7	27.8
Improve Significantly	0.0	0.0	1.3	0.0	0.0	0.0	1.2	6.3	1.4	5.6	0.0	0.0	3.8	1.4	1.4	0.0	0.0	5.1	1.4	1.4
	100.0	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

	Tax-Exempt Municipals					Prime Mortgage-Backed					Asset-Backed				
	1/12	**7/12**	**2/13**	**8/13**	**2/14**	**1/12**	**7/12**	**2/13**	**8/13**	**2/14**	**1/12**	**7/12**	**2/13**	**8/13**	**2/14**
Deteriorate Significantly	0.0	0.0	0.0	1.4	1.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deteriorate Somewhat	16.9	37.8	31.6	37.5	20.0	7.1	13.1	12.5	14.1	15.5	4.3	14.3	14.1	11.3	14.1
Stay the Same	38.0	29.3	32.9	27.8	32.9	45.7	47.6	38.8	38.0	49.3	52.9	51.2	55.1	62.0	66.2
Improve Somewhat	45.1	32.9	35.4	30.6	44.3	45.7	39.3	43.8	43.7	31.0	41.4	34.5	28.2	26.8	19.7
Improve Significantly	0.0	0.0	0.0	2.8	1.4	1.4	0.0	5.0	4.2	4.2	1.4	0.0	2.6	0.0	0.0
	100.0	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

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Fitch Ratings/Fixed Income Forum Survey of Senior Investors (Continued)

(%)

Over the next 12 months, fundamental credit conditions in the following U.S. industries will:

	Telecommunications/Cable					Media/Broadcasting					Basic Materials					Healthcare				
	1/12	**7/12**	**2/13**	**8/13**	**2/14**	**1/12**	**7/12**	**2/13**	**8/13**	**2/14**	**1/12**	**7/12**	**2/13**	**8/13**	**2/14**	**1/12**	**7/12**	**2/13**	**8/13**	**2/14**
Deteriorate Significantly	0.0	0.0	0.0	1.4	1.4	0.0	0.0	0.0	0.0	2.7	0.0	3.6	2.4	2.9	0.0	0.0	0.0	2.4	2.8	1.4
Deteriorate Somewhat	16.4	19.0	28.0	32.4	38.4	18.3	32.1	39.0	33.8	34.2	22.2	44.6	27.7	37.1	32.9	19.2	33.3	33.7	36.6	31.1
Stay the Same	61.6	58.3	51.2	53.5	38.4	57.7	48.8	43.9	53.5	46.6	48.6	39.8	39.8	35.7	42.5	49.3	32.1	33.7	43.7	43.2
Improve Somewhat	21.9	21.4	20.7	12.7	21.9	21.1	16.7	17.1	12.7	16.4	29.2	12.0	28.9	24.3	24.7	30.1	33.3	28.9	16.9	20.3
Improve Significantly	0.0	1.2	0.0	0.0	0.0	2.8	2.4	0.0	0.0	0.0	0.0	0.0	1.2	0.0	0.0	1.4	1.2	1.2	0.0	4.1
	100.0	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

	Energy					Utilities					Consumer Noncyclical					Industrials/Manufacturing				
	1/12	**7/12**	**2/13**	**8/13**	**2/14**	**1/12**	**7/12**	**2/13**	**8/13**	**2/14**	**1/12**	**7/12**	**2/13**	**8/13**	**2/14**	**1/12**	**7/12**	**2/13**	**8/13**	**2/14**
Deteriorate Significantly	0.0	1.2	0.0	1.4	0.0	1.4	0.0	1.2	2.9	1.4	0.0	0.0	0.0	0.0	0.0	0.0	1.2	0.0	0.0	0.0
Deteriorate Somewhat	12.3	52.4	24.1	21.4	28.4	11.0	21.4	28.0	18.6	23.6	4.1	14.5	32.5	18.6	19.2	15.1	22.9	25.3	16.9	17.8
Stay the Same	42.5	27.4	34.9	47.1	28.4	65.8	63.1	62.2	64.3	59.7	56.2	63.9	44.6	61.4	60.3	39.7	51.8	34.9	45.1	43.8
Improve Somewhat	45.2	19.0	39.8	30.0	41.9	21.9	14.3	8.5	14.3	15.3	39.7	21.7	22.9	20.0	20.5	45.2	24.1	38.6	38.0	38.4
Improve Significantly	0.0	0.0	1.2	0.0	1.4	0.0	1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.2	0.0	0.0
	100.0	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

	Consumer Cyclical					Financials				
	1/12	**7/12**	**2/13**	**8/13**	**2/14**	**1/12**	**7/12**	**2/13**	**8/13**	**2/14**
Deteriorate Significantly	0.0	1.2	0.0	0.0	0.0	0.0	3.6	0.0	0.0	0.0
Deteriorate Somewhat	19.2	39.3	30.1	22.9	17.8	8.2	21.4	9.6	15.1	8.1
Stay the Same	27.4	35.7	32.5	31.4	34.2	24.7	34.5	21.7	20.5	17.6
Improve Somewhat	53.4	23.8	36.1	44.3	46.6	60.3	39.3	65.1	64.4	68.9
Improve Significantly	0.0	0.0	1.2	1.4	1.4	6.8	1.2	3.6	0.0	5.4
	100.0	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

How do you expect the U.S. high yield default rate to end 2014?

	2/14
0–1	3.9
1–2	67.5
2–3	26.0
3–4	2.6
>4	0.0
	100.0

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Fitch Ratings/Fixed Income Forum Survey of Senior Investors (Continued)

(%)

Over the next 12 months do you expect corporate leverage (debt/EBITDA) to:

	1/12	7/12	2/13	8/13	2/14
Increase Significantly	1.3	0.0	3.5	0.0	2.6
Increase Modestly	45.3	55.3	83.5	76.0	80.3
Stay About the Same	37.3	29.4	8.2	20.0	14.5
Decrease Modestly	16.0	15.3	3.5	4.0	2.6
Decrease Significantly	0.0	0.0	1.2	0.0	0.0
	100.0	**100.0**	**100.0**	**100.0**	**100.0**

Over the next 12 months, how do you expect U.S. firms to use cash?

	Share Repurchases					Dividends				
	1/12	7/12	2/13	8/13	2/14	1/12	7/12	2/13	8/13	2/14
Significant	31.1	13.8	35.3	32.4	33.3	16.2	9.2	25.9	21.3	16.0
Moderate	51.4	65.5	56.5	59.5	65.3	66.2	67.8	58.8	65.3	76.0
Limited	17.6	19.5	8.2	8.1	1.3	17.6	23.0	15.3	13.3	8.0
Not at All	0.0	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	100.0	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

	Mergers and Acquisitions					Maintain Cash Cushion				
	1/12	7/12	2/13	8/13	2/14	1/12	7/12	2/13	8/13	2/14
Significant	12.3	9.2	31.3	21.9	17.8	26.0	37.9	16.9	18.9	14.7
Moderate	56.2	48.3	53.0	50.7	65.8	52.1	47.1	42.2	45.9	44.0
Limited	28.8	42.5	15.7	27.4	16.4	20.5	14.9	37.3	29.7	34.7
Not at All	2.7	0.0	0.0	0.0	0.0	1.4	0.0	3.6	5.4	6.7
	100.0	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

	Capital Expenditures					Debt Amortizations/Paydowns				
	1/12	7/12	2/13	8/13	2/14	1/12	7/12	2/13	8/13	2/14
Significant	1.4	2.3	1.2	2.7	1.4	2.7	3.4	2.4	0.0	0.0
Moderate	56.8	50.0	58.8	60.8	50.0	35.1	31.0	23.8	27.0	17.3
Limited	41.9	43.0	37.6	35.1	48.6	51.4	54.0	52.4	58.1	64.0
Not at All	0.0	4.7	2.4	1.4	0.0	10.8	11.5	21.4	14.9	18.7
	100.0	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

What is your expectation for issuance over the next 12 months for the following categories?

	Investment Grade Corporate					Speculative Grade Corporate				
	1/12	7/12	2/13	8/13	2/14	1/12	7/12	2/13	8/13	2/14
Very Strong	5.3	4.6	17.6	1.4	9.3	5.3	2.4	16.5	6.7	12.2
Strong	38.7	49.4	54.1	40.5	53.3	26.7	35.3	56.5	44.0	41.9
Moderate	48.0	34.5	25.9	52.7	32.0	60.0	48.2	22.4	41.3	40.5
Low	8.0	11.5	2.4	5.4	5.3	8.0	10.6	4.7	8.0	5.4
Minimal	0.0	0.0	0.0	0.0	0.0	0.0	3.5	0.0	0.0	0.0
	100.0	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

	CMBS					ABS				
	1/12	7/12	2/13	8/13	2/14	1/12	7/12	2/13	8/13	2/14
Very Strong	1.5	0.0	2.5	0.0	1.4	1.5	3.7	4.9	0.0	2.8
Strong	2.9	3.8	19.8	24.6	32.4	5.9	8.6	17.3	23.2	22.5
Moderate	27.9	48.7	60.5	53.6	49.3	50.0	46.9	60.5	59.4	54.9
Low	51.5	41.0	17.3	21.7	16.9	32.4	33.3	14.8	17.4	18.3
Minimal	16.2	6.4	0.0	0.0	0.0	10.3	7.4	2.5	0.0	1.4
	100.0	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

	CDOs					RMBS				
	1/12	7/12	2/13	8/13	2/14	1/12	7/12	2/13	8/13	2/14
Very Strong	0.0	0.0	5.0	1.5	1.4	1.5	0.0	3.8	0.0	0.0
Strong	1.5	2.5	15.0	17.6	19.7	3.0	3.7	8.8	17.4	18.6
Moderate	13.2	30.0	40.0	42.6	38.0	38.8	46.9	56.3	50.7	45.7
Low	38.2	42.5	26.3	36.8	38.0	35.8	35.8	23.8	30.4	30.0
Minimal	47.1	25.0	13.8	1.5	2.8	20.9	13.6	7.5	1.4	5.7
	100.0	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

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Fitch Ratings/Fixed Income Forum Survey of Senior Investors (Continued)

(%)

What is your expectation for spread movement over the next 12 months in these areas?

	Municipals					CMBS				
	1/12	**7/12**	**2/13**	**8/13**	**2/14**	**1/12**	**7/12**	**2/13**	**8/13**	**2/14**
Widen	12.7	11.0	26.3	43.3	14.5	13.2	16.5	11.1	19.1	19.1
Tighten	45.1	31.7	28.8	35.8	52.2	48.5	38.0	39.5	39.7	41.2
Remain Within Recent Ranges	42.3	57.3	45.0	20.9	33.3	38.2	45.6	49.4	41.2	39.7
	100.0	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

	Speculative Grade Corporate					ABS				
	1/12	**7/12**	**2/13**	**8/13**	**2/14**	**1/12**	**7/12**	**2/13**	**8/13**	**2/14**
Widen	9.2	32.6	28.9	40.5	26.7	4.3	7.6	9.9	16.7	12.7
Tighten	68.4	34.9	38.6	29.7	36.0	31.9	25.3	23.5	18.2	32.4
Remain Within Recent Ranges	22.4	32.6	32.5	29.7	37.3	63.8	67.1	66.7	65.2	54.9
	100.0	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

	RMBS					Investment Grade Corporate					CDOs				
	1/12	**7/12**	**2/13**	**8/13**	**2/14**	**1/12**	**7/12**	**2/13**	**8/13**	**2/14**	**1/12**	**7/12**	**2/13**	**8/13**	**2/14**
Widen	10.3	17.5	11.3	27.7	28.2	2.6	14.0	14.3	25.3	17.1	15.9	18.5	7.4	28.8	20.6
Tighten	29.4	27.5	31.3	23.1	31.0	59.2	32.6	36.9	33.3	30.3	20.3	17.3	35.8	21.2	25.0
Remain Within Recent Ranges	60.3	55.0	57.5	49.2	40.8	38.2	53.5	48.8	41.3	52.6	63.8	64.2	56.8	50.0	54.4
	100.0	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**