U.S. Senior Fixed Income Investor Sentiment Wilts at Midyear; Glimmers of Hope for Housing

Special Report

Gloominess Contagion: Investor sentiment once again fell victim to the summer doldrums in the most recent edition of Fitch Ratings/Fixed Income Forum Survey of professional money managers conducted in July. Similar to 2011, growth expectations soured across all regions at midyear. This time, however, the outlook for the U.S. was especially hard hit, with two thirds of respondents projecting feeble GDP growth over the coming year of 1%–2%. This past January and in June 2011, the majority of investors expected U.S. growth of 2%–3%. This more sober macro view affected opinions across a number of asset categories and industries. However, the survey also revealed bright pockets, including a possible turn in the all-important U.S. housing market.

Global Growth Markdown: In addition to the less constructive view of U.S. growth mentioned above, investors also lowered growth expectations for emerging markets (see top of page 2), while the bleak outlook for Europe, namely, recession or recession-like conditions, remained virtually unchanged relative to January. On a related question, financial stability in the euro zone was considered important or critical to a sustained U.S. recovery by 97% of investors surveyed, which is similar to responses earlier in the year.

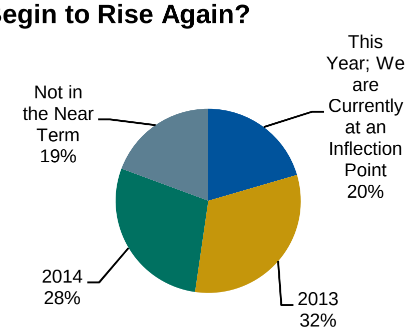
Housing on the Mend: Roughly half of investors saw an upturn in national home prices over the next 18 months. In addition, housing market weakness was considered a low near-term risk by 47% of investors — the most constructive view expressed since the onset of the housing downturn. Also of note, opinions surrounding both commercial and residential mortgage-backed bonds remained steady relative to January — with a majority of investors still seeing either stable or improving credit conditions across these products.

Political Expediency Gathers Urgency: A resolution to the U.S. fiscal cliff, stronger labor market conditions, and housing market stability all received attention as critical variables to the credit outlook. However, while some modest optimism surfaced on both housing and employment, concerns remained elevated for Europe and for what is shaping up as one of the key domestic issues going into the fall — political gridlock and its impact on the resolution of the U.S. fiscal cliff — namely the anticipated negative impact on the economy of automatic cuts in federal spending beginning in 2013 combined with the expiration of key tax cuts. This was viewed as an important or critical issue by the vast majority of investors in the recent survey and a top risk to the credit outlook.

Related Research

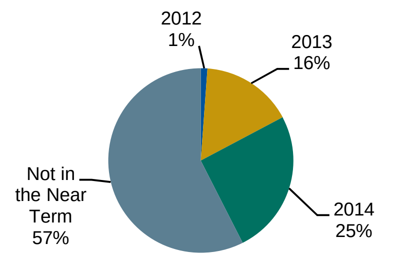
Risk Radar, Aug. 7, 2012
The Credit Outlook, July 23, 2012

When Will Home Prices Nationally Begin to Rise Again?



Source: Fitch Ratings/Fixed Income Forum Survey.

When Will Financial Stability Return to the Euro Zone?



Source: Fitch Ratings/Fixed Income Forum Survey.

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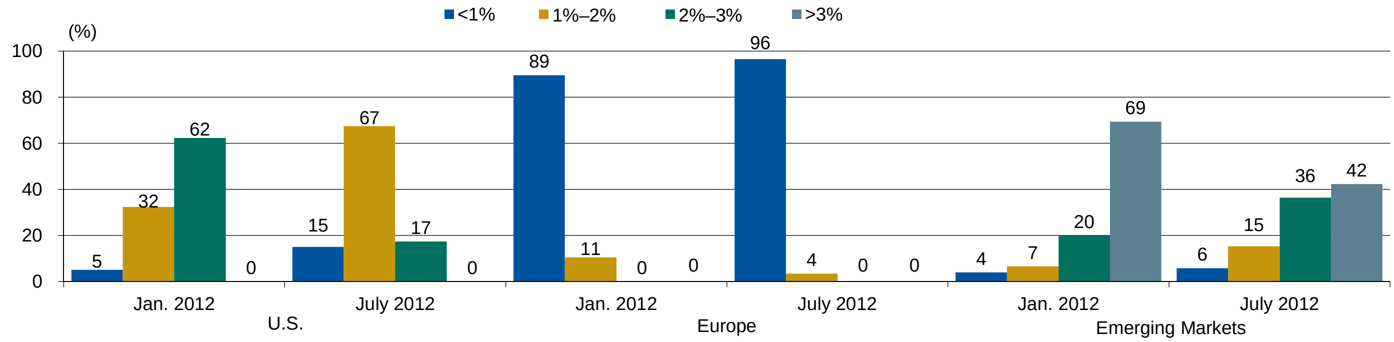
Economic Outlook — Expected 12-Month GDP Growth



Source: Fitch Ratings/Fixed Income Forum Survey.

Investor Angst Returns

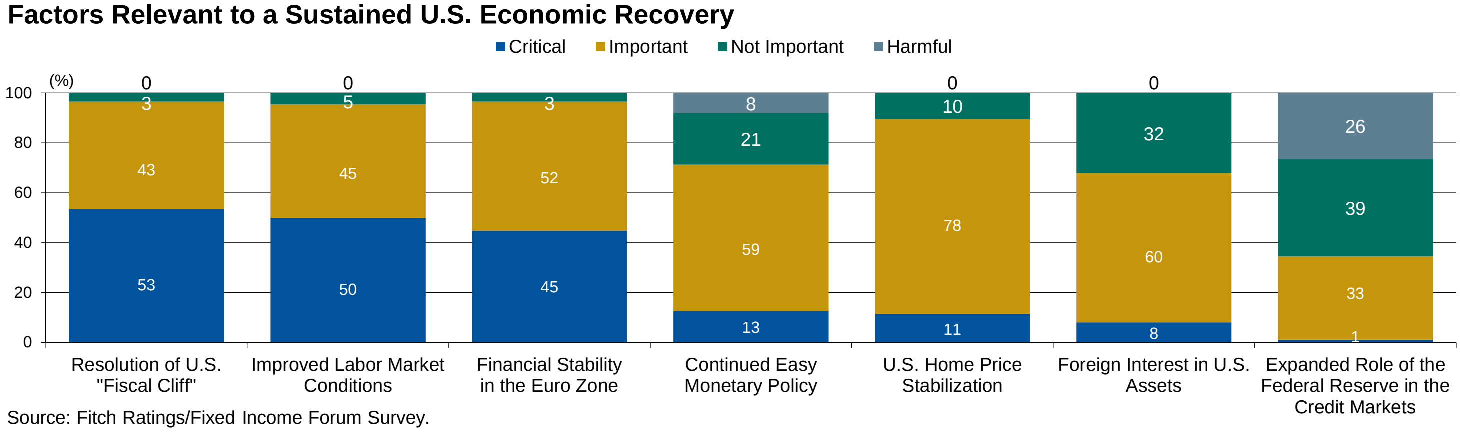
U.S. Investors Worried About Europe

At midyear the situation in Europe emerged as the most troubling to U.S. investors. When asked to comment on the probable return of financial stability to the euro zone, the majority said that it would not occur in the next two years, and nearly two-thirds thought the crisis in Europe would ultimately lead to a change in EU membership. In a related Fitch survey of European investors, only a small minority (5%) said they believed the euro zone endgame would be a wide-scale break-up. An additional 9% expected multiple sovereign defaults within the zone but did not anticipate that these events would cause a break-up.

Labor Market Muddles Along

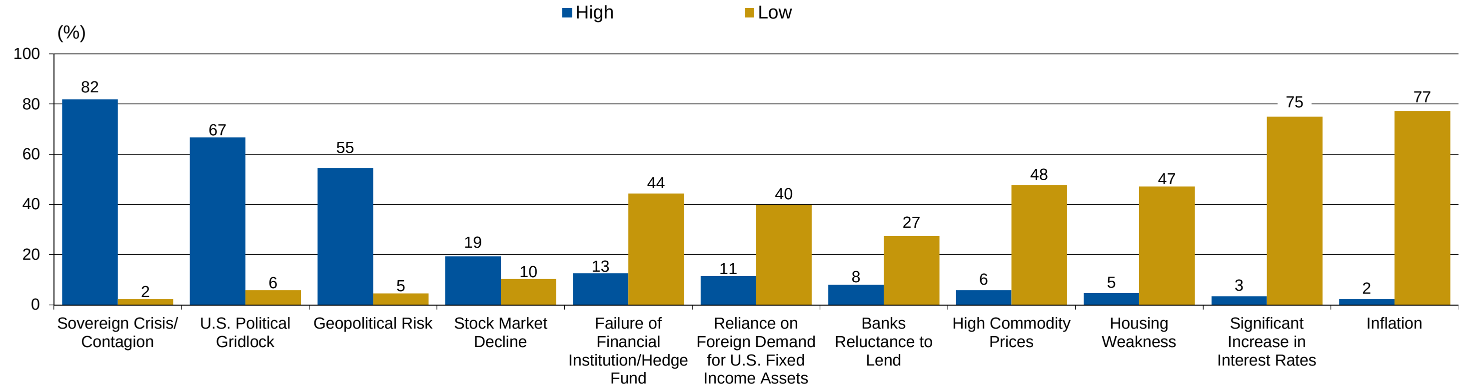
Opinions surrounding labor market conditions remained virtually unchanged over the past six months. Most investors (73%) still believe the unemployment rate will crawl to below 8% by 2013. At the start of 2011, half of those surveyed predicted such a level for 2012, but the sluggish pace of job growth has steadily tamed expectations on this front. Perhaps the one positive takeaway is that responses suggest that even in a weak growth environment, labor market conditions will continue to show some improvement.

Factors Relevant to a Sustained U.S. Economic Recovery



Source: Fitch Ratings/Fixed Income Forum Survey.

Risk Posed by Current and Potential Market Events



Note: Response options include High, Moderate, and Low; High and Low responses shown. See Appendix for shareholder-oriented activity response.
Source: Fitch Ratings/Fixed Income Forum Survey.

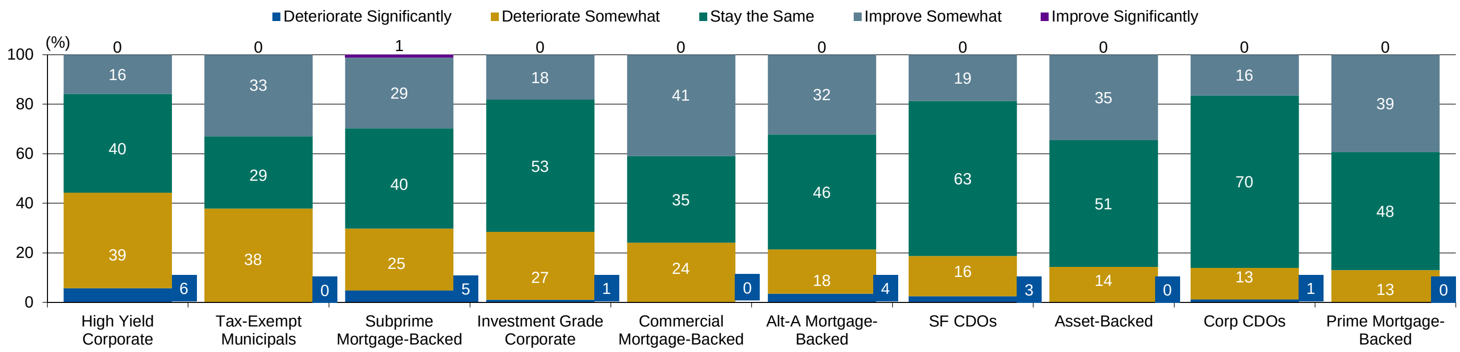
Soft Growth Dampens Inflation and Other Concerns

Worries about inflation, higher interest rates, and volatile commodity prices fell further off the radar in the recent survey. Shareholder-oriented transactions were also seen as less troubling, given the perceived lack of support for this in a weak macro environment. A multiyear high of 53% of investors viewed shareholder enhancing behavior as a low risk to the credit markets over the coming year. However, on a related question, a majority of respondents still saw share repurchases, dividends, and mergers and acquisitions (by a smaller majority) as meaningful uses of corporate cash, suggesting they believe this activity will continue but will not be detrimental to the interests of credit investors.

Mixed Views on Fed Persist

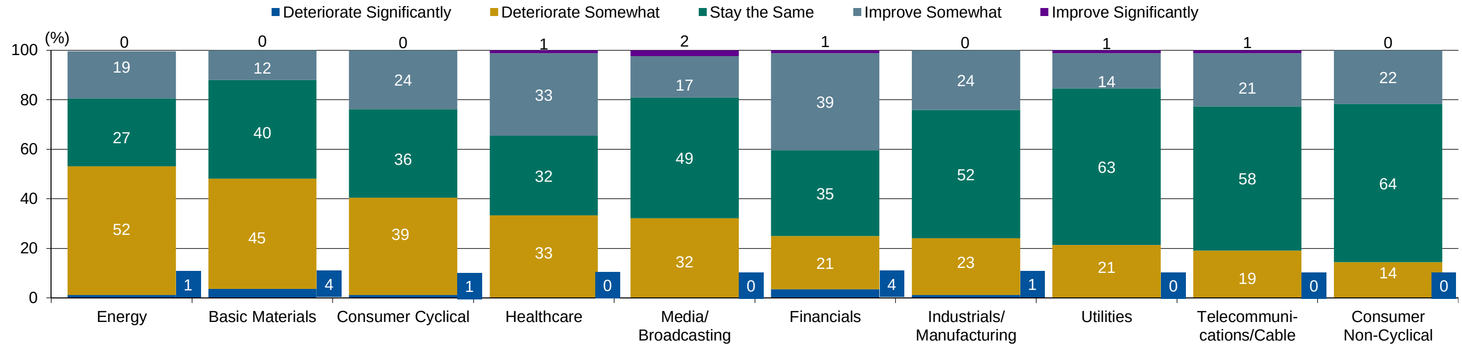
While 71% of investors still see easy monetary policy as important or critical to the recovery, two-thirds remain leery about a further expansion in the role of the Fed in the credit markets, with this group considering it either not important or harmful.

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



Source: Fitch Ratings/Fixed Income Forum Survey.

View of Fundamental Credit Conditions Over the Next Year by Sector



Source: Fitch Ratings/Fixed Income Forum Survey.

Tamer Corporate Outlook

Despite the haircut to U.S. growth, there was little change in broad credit views for structured finance products in the recent survey. However, investors did express a tamer view of the corporate sector both high grade and high yield, with relatively more expecting credit quality to deteriorate and fewer seeing improvement across the two categories than in January. The negative shift was more pronounced for high yield. In addition, while a strong majority predicted that the high yield default rate will remain below average over the coming year, views here also turned less benign than earlier in the year, with a third of investors placing the default rate above 3% (versus 10% in January) and just 14% at 1%–2% (versus 53% in January). A third of investors also expect high yield spreads to widen over the coming year — more than January's 9% level.

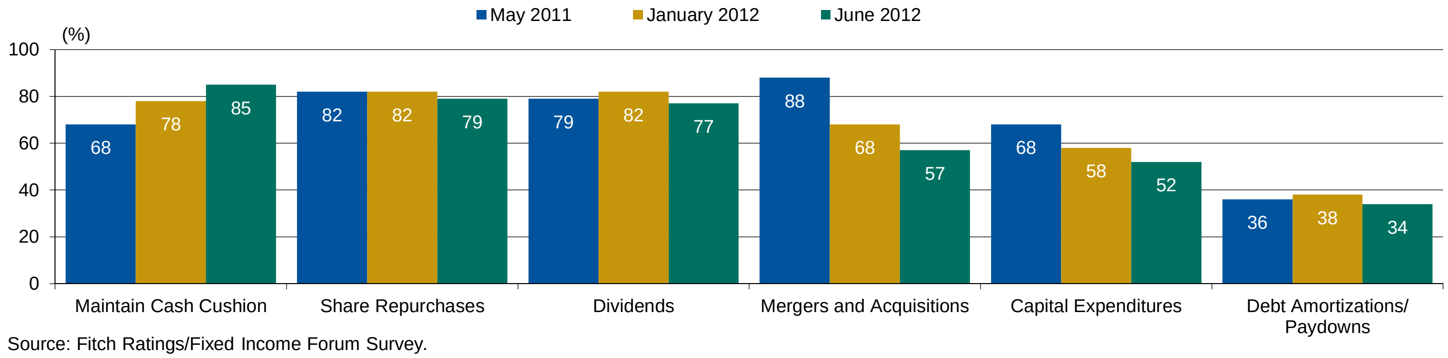
Economically Sensitive Sectors Most Vulnerable

When asked to comment on the outlook for specific industries, responses mirrored expectations for lackluster growth. Areas where opinions became more negative included consumer cyclical, energy, and basic materials. Also related to softer growth, there was an uptick in the share of investors predicting deteriorating credit conditions in the municipal sector (38% versus 17% in January).

Cash Under the Mattress

Directionally, expectations surrounding corporate use of cash showed little change since January — maintaining a cash cushion, share repurchases, and dividends received the most votes for meaningful uses of cash. The important area that continued to lag was capital expenditures, where 43% of investors saw limited activity and some saw none.

Significant or Moderate Use of Corporate Cash Over the Next Year



Source: Fitch Ratings/Fixed Income Forum Survey.

Spreads

Across all asset categories, the majority of investors still expect spreads to either remain range-bound or tighten over the coming year. Responses remained positive but less bullish than in January. Full survey results begin on page 6.

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 13th in the series, a wide range of senior investment personnel (88 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 $20 billion to greater than $200 billion.

Fitch Ratings/Fixed Income Forum Survey of Senior Investors

(%)

Which of the following best describes your firm?

	6/10	1/11	6/11	1/12	7/12
Traditional Asset Management Firm	51.0	48.9	43.2	51.9	43.2
Insurance Company	27.1	26.1	33.0	27.3	40.9
Asset Management Arm of a Bank	12.5	15.9	19.3	11.7	11.4
Pension Fund	9.4	8.0	3.4	9.1	4.5
Other	0.0	1.1	1.1	0.0	0.0
	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?

	6/10	1/11	6/11	1/12	7/12
Up to $20 Bil.	38.5	45.5	37.5	36.4	36.4
$20 Bil.–$50 Bil.	18.8	8.0	15.9	15.6	11.4
$50 Bil.–$100 Bil.	12.5	14.8	14.8	16.9	22.7
$100 Bil.–$200 Bil.	11.5	14.8	11.4	11.7	13.6
More than $200 Bil.	18.8	17.0	20.5	19.5	15.9
	100.0	**100.0**	**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				
	6/10	1/11	6/11	1/12	7/12	6/10	1/11	6/11	1/12	7/12	6/10	1/11	6/11	1/12	7/12
Below 0% (Recession)	2.1	0.0	1.1	0.0	2.3	11.8	0.0	3.5	59.2	61.2	0.0	0.0	0.0	1.3	3.5
0%–1% (Very Weak)	5.2	0.0	6.8	5.2	12.8	47.3	5.7	15.1	30.3	35.3	6.5	0.0	0.0	2.7	2.4
1%–2% (Weak)	30.2	9.1	38.6	32.5	67.4	37.6	56.3	68.6	10.5	3.5	7.5	1.2	1.2	6.7	15.3
2%–3% (Moderate)	55.2	47.7	51.1	62.3	17.4	3.2	37.9	12.8	0.0	0.0	19.4	10.5	21.2	20.0	36.5
3%–4% (Strong)	7.3	40.9	2.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	39.8	25.6	50.6	49.3	35.3
>4% (Very Strong)	0.0	2.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	26.9	62.8	27.1	20.0	7.1
	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 2012 and 2013?

	2012				2013	
	1/11	6/11	1/12	7/12	1/12	7/12
<7%	3.5	2.4	0.0	0.0	9.3	14.1
7%–8%	47.1	41.2	32.5	30.2	65.3	58.8
8%–9%	47.1	48.2	66.2	66.3	22.7	22.4
9%–10%	2.4	8.2	1.3	2.3	2.7	4.7
10%–11%	0.0	0.0	0.0	1.2	0.0	0.0
>11%	0.0	0.0	0.0	0.0	0.0	0.0
	100.0	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Continued on next page.

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

(%)

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

	Sovereign Debt Crisis/Contagion				
	6/10	1/11	6/11	1/12	7/12
High	59.6	56.5	69.3	81.8	81.8
Moderate	37.2	41.2	30.7	18.2	15.9
Low	3.2	2.4	0.0	0.0	2.3
	100.0	**100.0**	**100.0**	**100.0**	**100.0**

	U.S. Political Gridlock	
	1/12	7/12
High	50.6	66.7
Moderate	39.0	27.6
Low	10.4	5.7
	100.0	**100.0**

	Geopolitical Risk				
	6/10	1/11	6/11	1/12	7/12
High	56.3	46.0	43.2	76.6	54.5
Moderate	41.7	44.8	51.1	22.1	40.9
Low	2.1	9.2	5.7	1.3	4.5
	100.0	**100.0**	**100.0**	**100.0**	**100.0**

	Stock Market Decline				
	6/10	1/11	6/11	1/12	7/12
High	26.0	16.1	31.8	13.0	19.3
Moderate	68.8	62.1	60.2	70.1	70.5
Low	5.2	21.8	8.0	16.9	10.2
	100.0	**100.0**	**100.0**	**100.0**	**100.0**

	Failure of Financial Institution/Hedge Fund				
	6/10	1/11	6/11	1/12	7/12
High	12.6	4.7	11.5	15.6	12.5
Moderate	40.0	31.4	39.1	48.1	43.2
Low	47.4	64.0	49.4	36.4	44.3
	100.0	**100.0**	**100.0**	**100.0**	**100.0**

	Reliance on Foreign Demand for U.S. Fixed Income Assets				
	6/10	1/11	6/11	1/12	7/12
High	27.1	15.3	22.7	15.6	11.4
Moderate	46.9	49.4	47.7	59.7	48.9
Low	26.0	35.3	29.5	24.7	39.8
	100.0	**100.0**	**100.0**	**100.0**	**100.0**

	Bank Reluctance to Lend				
	6/10	1/11	6/11	1/12	7/12
High	17.7	2.3	10.2	5.3	8.0
Moderate	53.1	43.0	50.0	53.9	64.8
Low	29.2	54.7	39.8	40.8	27.3
	100.0	**100.0**	**100.0**	**100.0**	**100.0**

	Commodity Prices			
	1/11	6/11	1/12	7/12
High	24.1	19.5	5.2	5.8
Moderate	64.4	59.8	66.2	46.5
Low	11.5	20.7	28.6	47.7
	100.0	**100.0**	**100.0**	**100.0**

	Housing Market Weakness				
	6/10	1/11	6/11	1/12	7/12
High	24.0	32.2	37.9	18.2	4.6
Moderate	63.5	44.8	51.7	50.6	48.3
Low	12.5	23.0	10.3	31.2	47.1
	100.0	**100.0**	**100.0**	**100.0**	**100.0**

	Shareholder-Oriented Activities (e.g. LBOs, M&A, Share Buybacks)				
	6/10	1/11	6/11	1/12	7/12
High	10.4	25.9	9.1	10.4	4.5
Moderate	47.9	50.6	67.0	53.2	42.0
Low	41.7	23.5	23.9	36.4	53.4
	100.0	**100.0**	**100.0**	**100.0**	**100.0**

	Significant Increase in Interest Rates			
	1/11	6/11	1/12	7/12
High	13.8	10.3	5.3	3.4
Moderate	49.4	29.9	28.9	21.6
Low	36.8	59.8	65.8	75.0
	100.0	**100.0**	**100.0**	**100.0**

	Inflation		
	6/11	1/12	7/12
High	12.6	2.6	2.3
Moderate	31.0	27.3	20.5
Low	56.3	70.1	77.3
	100.0	**100.0**	**100.0**

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

	Resolution of U.S. "Fiscal Cliff"
	7/12
Critical	53.5
Important	43.0
Not Important	3.5
Harmful	0.0
	100.0

	Improved Labor Market Conditions				
	6/10	1/11	6/11	1/12	7/12
Critical	45.8	40.9	59.1	30.3	50.0
Important	50.0	50.0	35.2	64.5	45.3
Not Important	4.2	9.1	5.7	5.3	4.7
Harmful	0.0	0.0	0.0	0.0	0.0
	100.0	**100.0**	**100.0**	**100.0**	**100.0**

	Financial Stability in the Euro Zone				
	6/10	1/11	6/11	1/12	7/12
Critical	24.0	14.9	29.5	59.7	44.8
Important	71.9	78.2	65.9	37.7	51.7
Not Important	3.1	6.9	3.4	2.6	3.4
Harmful	1.0	0.0	1.1	0.0	0.0
	100.0	**100.0**	**100.0**	**100.0**	**100.0**

	Continued Easy Monetary Policy				
	6/10	1/11	6/11	1/12	7/12
Critical	9.4	9.1	12.6	15.8	12.6
Important	72.9	60.2	51.7	57.9	58.6
Not Important	11.5	23.9	18.4	15.8	20.7
Harmful	6.3	6.8	17.2	10.5	8.0
	100.0	**100.0**	**100.0**	**100.0**	**100.0**

	U.S. Home Price Stabilization				
	6/10	1/11	6/11	1/12	7/12
Critical	32.6	23.9	33.0	26.0	11.5
Important	63.2	68.2	59.1	63.6	78.2
Not Important	4.2	8.0	8.0	10.4	10.3
Harmful	0.0	0.0	0.0	0.0	0.0
	100.0	**100.0**	**100.0**	**100.0**	**100.0**

	Foreign Interest in U.S. Assets				
	6/10	1/11	6/11	1/12	7/12
Critical	18.8	14.8	15.3	13.0	8.0
Important	66.7	65.9	67.1	67.5	59.8
Not Important	14.6	19.3	17.6	19.5	32.2
Harmful	0.0	0.0	0.0	0.0	0.0
	100.0	**100.0**	**100.0**	**100.0**	**100.0**

	Expanded Role of the Federal Reserve in the Credit Markets				
	6/10	1/11	6/11	1/12	7/12
Critical	1.0	1.1	1.1	1.3	1.1
Important	21.9	23.9	21.6	28.9	33.3
Not Important	47.9	50.0	45.5	34.2	39.1
Harmful	29.2	25.0	31.8	35.5	26.4
	100.0	**100.0**	**100.0**	**100.0**	**100.0**

M&A – Mergers and acquisitions. *Continued on next page.*

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

(%)

When do you expect home prices nationally to begin rising again?

	7/12
This Year; We are Currently at an Inflection Point	20.5
2013	31.8
2014	28.4
Not in the Near Term	19.3
	100.0

When do you expect financial stability to return to the euro zone?

	7/12
2012	1.1
2013	16.1
2014	25.3
Not in the Near Term	57.5
	100.0

Do you believe the current crisis in Europe will ultimately result in a change in EU membership?

	7/12
Yes – Strongly Agree	26.1
Yes – Agree	38.6
Unsure	22.7
No – Disagree	12.5
No – Strongly Disagree	0.0
	100.0

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

	6/10	1/11	6/11	1/12	7/12
Standards Will Loosen Significantly	0.0	5.7	1.1	1.3	0.0
Standards Will Loosen Moderately	64.6	77.3	64.8	79.2	56.8
Standards Will Tighten Moderately	10.4	0.0	6.8	3.9	8.0
Standards Will Tighten Significantly	0.0	0.0	0.0	0.0	1.1
No Meaningful Change in Lending Practices	25.0	17.0	27.3	15.6	34.1
	100.0	**100.0**	**100.0**	**100.0**	**100.0**

Continued on next page.

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:

	Commercial Mortgage-Backed					Prime Mortgage-Backed					Asset-Backed					Tax-Exempt Municipals					Alt-A Mortgage-Backed				
	6/10	**1/11**	**6/11**	**1/12**	**7/12**	**6/10**	**1/11**	**6/11**	**1/12**	**7/12**	**6/10**	**1/11**	**6/11**	**1/12**	**7/12**	**6/10**	**1/11**	**6/11**	**1/12**	**7/12**	**6/10**	**1/11**	**6/11**	**1/12**	**7/12**
Deteriorate Significantly	9.9	1.2	0.0	2.9	0.0	2.2	0.0	0.0	0.0	0.0	2.2	0.0	3.7	0.0	0.0	7.8	4.7	3.6	0.0	0.0	8.9	2.4	4.9	0.0	3.6
Deteriorate Somewhat	37.4	17.4	32.1	22.1	24.1	18.5	10.6	23.8	7.1	13.1	11.8	5.9	16.0	4.3	14.3	43.3	47.7	28.6	16.9	37.8	28.9	22.6	39.5	19.1	17.9
Stay the Same	25.3	18.6	33.3	32.4	34.9	28.3	30.6	42.5	45.7	47.6	37.6	25.9	44.4	52.9	51.2	23.3	16.3	27.4	38.0	29.3	37.8	44.0	38.3	42.6	46.4
Improve Somewhat	25.3	53.5	33.3	42.6	41.0	46.7	54.1	31.3	45.7	39.3	46.2	65.9	35.8	41.4	34.5	24.4	26.7	40.5	45.1	32.9	24.4	29.8	16.0	38.2	32.1
Improve Significantly	2.2	9.3	1.2	0.0	0.0	4.3	4.7	2.5	1.4	0.0	2.2	2.4	0.0	1.4	0.0	1.1	4.7	0.0	0.0	0.0	0.0	1.2	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**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

	Subprime Mortgage-Backed					Structured Finance CDOs					Investment Grade Corporate					Corporate CDOs					High Yield Corporate				
	6/10	**1/11**	**6/11**	**1/12**	**7/12**	**6/10**	**1/11**	**6/11**	**1/12**	**7/12**	**6/10**	**1/11**	**6/11**	**1/12**	**7/12**	**6/10**	**1/11**	**6/11**	**1/12**	**7/12**	**6/10**	**1/11**	**6/11**	**1/12**	**7/12**
Deteriorate Significantly	8.8	3.6	12.2	1.5	4.8	7.1	1.2	2.5	2.9	2.5	1.1	0.0	0.0	0.0	1.1	5.8	0.0	0.0	2.9	1.3	7.4	1.1	0.0	0.0	5.7
Deteriorate Somewhat	34.1	32.1	48.8	30.9	25.0	38.8	24.4	38.0	22.1	16.3	14.7	10.2	17.2	11.7	27.3	32.6	17.1	32.5	15.9	12.7	24.2	6.9	37.9	25.0	38.6
Stay the Same	35.2	35.7	24.4	41.2	40.5	36.5	45.1	40.5	58.8	62.5	35.8	21.6	55.2	50.6	53.4	36.0	45.1	42.5	62.3	69.6	31.6	23.0	37.9	36.8	39.8
Improve Somewhat	22.0	27.4	13.4	26.5	28.6	17.6	24.4	19.0	16.2	18.8	47.4	65.9	27.6	36.4	18.2	25.6	32.9	25.0	17.4	16.5	33.7	64.4	24.1	36.8	15.9
Improve Significantly	0.0	1.2	1.2	0.0	1.2	0.0	4.9	0.0	0.0	0.0	1.1	2.3	0.0	1.3	0.0	0.0	4.9	0.0	1.4	0.0	3.2	4.6	0.0	1.3	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**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

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

	Financials					Healthcare					Industrials/Manufacturing					Consumer Cyclical					Telecommunications/Cable				
	6/10	**1/11**	**6/11**	**1/12**	**7/12**	**6/10**	**1/11**	**6/11**	**1/12**	**7/12**	**6/10**	**1/11**	**6/11**	**1/12**	**7/12**	**6/10**	**1/11**	**6/11**	**1/12**	**7/12**	**6/10**	**1/11**	**6/11**	**1/12**	**7/12**
Deteriorate Significantly	2.2	0.0	3.6	0.0	3.6	0.0	1.2	0.0	0.0	0.0	1.1	1.2	0.0	0.0	1.2	3.3	0.0	4.7	0.0	1.2	0.0	0.0	0.0	0.0	0.0
Deteriorate Somewhat	20.4	3.6	29.8	8.2	21.4	33.7	26.5	20.2	19.2	33.3	14.1	4.8	14.3	15.1	22.9	19.6	6.0	34.1	19.2	39.3	18.5	16.9	16.5	16.4	19.0
Stay the Same	22.6	17.9	19.0	24.7	34.5	42.4	43.4	51.2	49.3	32.1	33.7	25.3	48.8	39.7	51.8	25.0	20.2	34.1	27.4	35.7	55.4	38.6	58.8	61.6	58.3
Improve Somewhat	47.3	63.1	44.0	60.3	39.3	21.7	28.9	27.4	30.1	33.3	50.0	67.5	36.9	45.2	24.1	48.9	71.4	27.1	53.4	23.8	25.0	42.2	24.7	21.9	21.4
Improve Significantly	7.5	15.5	3.6	6.8	1.2	2.2	0.0	1.2	1.4	1.2	1.1	1.2	0.0	0.0	0.0	3.3	2.4	0.0	0.0	0.0	1.1	2.4	0.0	0.0	1.2
	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**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

	Consumer Noncyclical					Media/Broadcasting					Energy					Utilities					Basic Materials				
	6/10	**1/11**	**6/11**	**1/12**	**7/12**	**6/10**	**1/11**	**6/11**	**1/12**	**7/12**	**6/10**	**1/11**	**6/11**	**1/12**	**7/12**	**6/10**	**1/11**	**6/11**	**1/12**	**7/12**	**6/10**	**1/11**	**6/11**	**1/12**	**7/12**
Deteriorate Significantly	1.1	0.0	1.2	0.0	0.0	2.2	0.0	1.2	0.0	0.0	1.1	0.0	0.0	0.0	1.2	0.0	0.0	0.0	1.4	0.0	0.0	0.0	0.0	0.0	3.6
Deteriorate Somewhat	12.1	9.6	18.8	4.1	14.5	22.0	19.3	21.2	18.3	32.1	35.6	11.9	25.3	12.3	52.4	17.4	18.3	9.5	11.0	21.4	25.0	10.7	21.4	22.2	44.6
Stay the Same	48.4	50.6	55.3	56.2	63.9	47.3	32.5	50.6	57.7	48.8	32.2	16.7	36.1	42.5	27.4	58.7	59.8	64.3	65.8	63.1	33.7	22.6	40.5	48.6	39.8
Improve Somewhat	38.5	39.8	24.7	39.7	21.7	24.2	48.2	27.1	21.1	16.7	27.8	65.5	37.3	45.2	19.0	23.9	20.7	25.0	21.9	14.3	39.1	65.5	38.1	29.2	12.0
Improve Significantly	0.0	0.0	0.0	0.0	0.0	4.4	0.0	0.0	2.8	2.4	3.3	6.0	1.2	0.0	0.0	0.0	1.2	1.2	0.0	1.2	2.2	1.2	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**	**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)

(%)

How do you expect the U.S. high yield default rate to end in June 2013?

	7/12
0%–1%	0.0
1%–2%	14.0
2%–3%	53.5
3%–4%	27.9
4%–5%	4.7
>5%	0.0
	100.0

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

	6/10	1/11	6/11	1/12	7/12
Increase Significantly	0.0	0.0	1.1	1.3	0.0
Increase Modestly	36.5	57.5	52.3	45.3	55.3
Stay About the Same	30.2	25.3	36.4	37.3	29.4
Decrease Modestly	32.3	17.2	10.2	16.0	15.3
Decrease Significantly	1.0	0.0	0.0	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?

	Maintain Cash Cushion					Share Repurchases					Dividends				
	6/10	1/11	6/11	1/12	7/12	6/10	1/11	6/11	1/12	7/12	6/10	1/11	6/11	1/12	7/12
Significant	25.8	10.5	20.0	26.0	37.9	7.5	25.9	22.4	31.1	13.8	4.3	19.8	20.0	16.2	9.2
Moderate	50.5	44.2	48.2	52.1	47.1	37.6	58.8	60.0	51.4	65.5	46.8	59.3	58.8	66.2	67.8
Limited	22.6	43.0	29.4	20.5	14.9	51.6	15.3	16.5	17.6	19.5	47.9	19.8	20.0	17.6	23.0
Not at All	1.1	2.3	2.4	1.4	0.0	3.2	0.0	1.2	0.0	1.1	1.1	1.2	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**

	Mergers and Acquisitions					Capital Expenditures					Debt Amortizations/Paydowns				
	6/10	1/11	6/11	1/12	7/12	6/10	1/11	6/11	1/12	7/12	6/10	1/11	6/11	1/12	7/12
Significant	20.2	26.7	34.1	12.3	9.2	3.2	7.0	4.7	1.4	2.3	6.4	4.7	2.4	2.7	3.4
Moderate	53.2	60.5	54.1	56.2	48.3	62.4	65.1	63.5	56.8	50.0	56.4	41.2	33.3	35.1	31.0
Limited	26.6	12.8	11.8	28.8	42.5	34.4	27.9	30.6	41.9	43.0	29.8	45.9	52.4	51.4	54.0
Not at All	0.0	0.0	0.0	2.7	0.0	0.0	0.0	1.2	0.0	4.7	7.4	8.2	11.9	10.8	11.5
	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**

How would you describe your firm's current use of credit derivatives?

	6/10	1/11	6/11	1/12	7/12
Extensive	3.2	2.3	5.7	1.3	0.0
Moderate	11.6	13.6	14.8	15.6	11.6
Limited	45.3	42.0	43.2	40.3	48.8
None at All	40.0	42.0	36.4	42.9	39.5
	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 issuance over the next 12 months for the following categories?

	Investment Grade Corporate					Speculative Grade Corporate					ABS				
	6/10	1/11	6/11	1/12	7/12	6/10	1/11	6/11	1/12	7/12	6/10	1/11	6/11	1/12	7/12
Very Strong	3.1	12.6	8.1	5.3	4.6	0.0	14.9	5.9	5.3	2.4	0.0	1.2	0.0	1.5	3.7
Strong	33.3	50.6	46.5	38.7	49.4	35.8	49.4	45.9	26.7	35.3	5.5	16.7	8.9	5.9	8.6
Moderate	53.1	35.6	38.4	48.0	34.5	47.4	29.9	43.5	60.0	48.2	44.0	41.7	43.0	50.0	46.9
Low	10.4	1.1	7.0	8.0	11.5	16.8	5.7	3.5	8.0	10.6	45.1	38.1	40.5	32.4	33.3
Minimal	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.2	0.0	3.5	5.5	2.4	7.6	10.3	7.4
	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**

	CMBS					RMBS					CDOs				
	6/10	1/11	6/11	1/12	7/12	6/10	1/11	6/11	1/12	7/12	6/10	1/11	6/11	1/12	7/12
Very Strong	1.1	1.2	0.0	1.5	0.0	0.0	1.2	0.0	1.5	0.0	0.0	1.2	0.0	0.0	0.0
Strong	1.1	14.3	1.3	2.9	3.8	2.2	6.0	2.5	3.0	3.7	1.1	9.5	1.3	1.5	2.5
Moderate	18.9	28.6	34.2	27.9	48.7	31.9	40.5	32.9	38.8	46.9	8.9	13.1	23.1	13.2	30.0
Low	45.6	41.7	57.0	51.5	41.0	53.8	38.1	39.2	35.8	35.8	25.6	39.3	30.8	38.2	42.5
Minimal	33.3	14.3	7.6	16.2	6.4	12.1	14.3	25.3	20.9	13.6	64.4	36.9	44.9	47.1	25.0
	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**

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

	CMBS					Speculative Grade Corporate					Investment Grade Corporate					Municipals			
	6/10	1/11	6/11	1/12	7/12	6/10	1/11	6/11	1/12	7/12	6/10	1/11	6/11	1/12	7/12	1/11	6/11	1/12	7/12
Widen	25.8	10.7	31.3	13.2	16.5	31.6	8.0	41.4	9.2	32.6	15.6	5.7	18.4	2.6	14.0	35.3	23.5	12.7	11.0
Tighten	32.6	56.0	31.3	48.5	38.0	38.9	70.1	32.2	68.4	34.9	42.7	59.1	52.9	59.2	32.6	45.9	35.8	45.1	31.7
Remain Within Recent Ranges	41.6	33.3	37.5	38.2	45.6	29.5	21.8	26.4	22.4	32.6	41.7	35.2	28.7	38.2	53.5	18.8	40.7	42.3	57.3
	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**

	RMBS					ABS					CDOs				
	6/10	1/11	6/11	1/12	7/12	6/10	1/11	6/11	1/12	7/12	6/10	1/11	6/11	1/12	7/12
Widen	20.0	8.5	28.4	10.3	17.5	11.4	8.5	17.3	4.3	7.6	29.9	11.9	22.8	15.9	18.5
Tighten	25.6	32.9	23.5	29.4	27.5	29.5	29.3	17.3	31.9	25.3	12.6	34.5	15.2	20.3	17.3
Remain Within Recent Ranges	54.4	58.5	48.1	60.3	55.0	59.1	62.2	65.4	63.8	67.1	57.5	53.6	62.0	63.8	64.2
	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**