

## Credit

28 May 2012 | 12 pages

# Global Credit Survey

## In Full Retreat

- Overall positions cut sharply to least long since Nov11
- Greatest reduction by real money and in cash bonds; index shorts significantly reduced, except in \$
- Positions in the periphery now at record short, whilst longs in the core are reduced
- Positions in banks fall to new low, with sharp falls also in telcos, utilities and cyclical
- Investors deeply divided on Greece, with nearly half expecting it to leave EMU already this year, yet 38% not expecting it to leave at all

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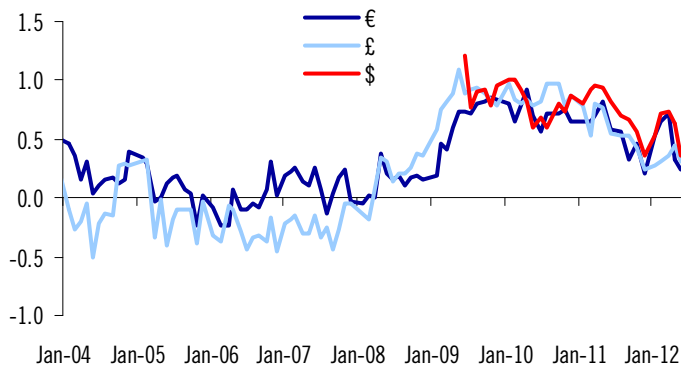
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Figure 1. Overall Positions in Credit vs Cash Inflows (Index, -2 Very Short, +2 Very Long)



Source: Citi Investment Research and Analysis

See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

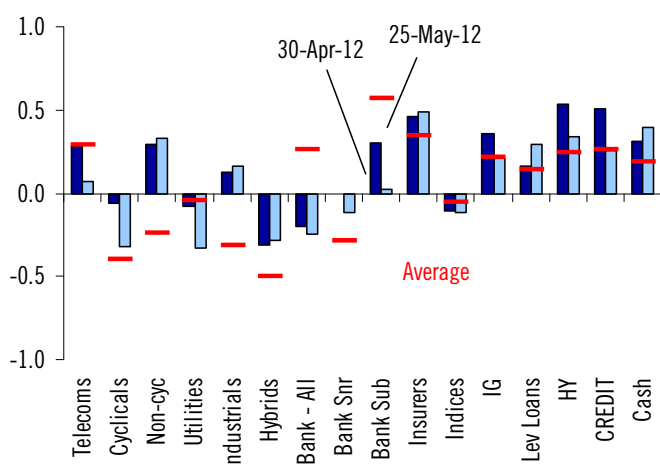
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## In Full Retreat

The results of our latest client survey indicate that global credit investors have reduced their positions significantly over the last month, with the cuts that began in April being extended and becoming more broad-based. But there are significant differences in positioning across currencies, and investors remain deeply divided on prospects for any potential Greece EMU exit.

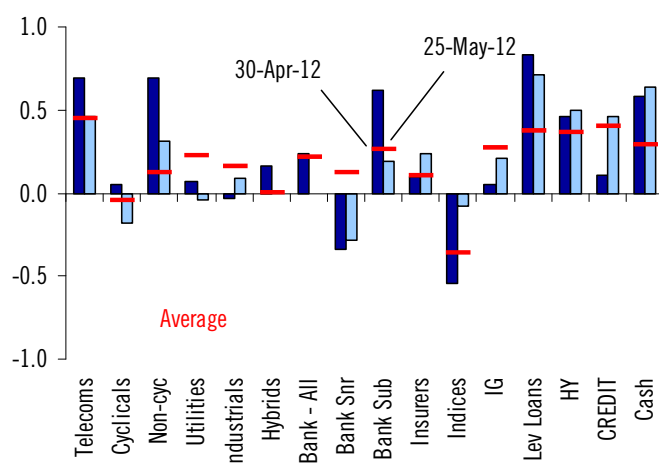
The biggest reductions were in the European periphery (though core positions also fell), in bank sub debt, and in telecoms, utilities and cyclicals (especially in \$, Figure 7). Positions in bank sub debt (Figures 23, 25 & 27) and € peripherals (Figure 45) both fell to new lows. Positions fell in both investment grade and HY, with the drop in \$ high yield being particularly striking, after record longs last month (Figure 33).

Figure 2. Real Money – Recent Positions vs Average



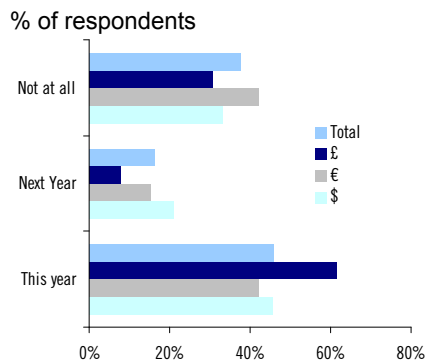
Source: Citi Investment Research and Analysis

Figure 3. Leveraged Money – Real Position vs Average



Source: Citi Investment Research and Analysis

Figure 4. When do you expect Greece to leave the Euro?



Source: Citi Investment Research and Analysis

There were big differences in the moves in cash bonds and in the CDS indices, and between different investor types. Hedge funds actually moved longer during the month (Figure 36), and covered their shorts in the indices. Instead, the cutting was done by real money, and mostly in cash, with the possible exception of \$, where index shorts picked up significantly (Figure 29).

Opinions on Greece were similarly divided. 62% of investors thought that Greece would not survive in the Eurozone until the end of next year (Figure 4), with expecting departure already this year. But the remaining 38% do not expect any exit at all.

The survey positions undoubtedly represent a significant support for markets here. There are no obvious signs of cash outflows (Figure 37), and (with the possible exception of \$) cutting seems to have been broad-based. Overall positions are now the least long since November last year, and in € IG are the smallest since March 2008 (Figure 31). Decisive policy action – or even a pause in all the negative headlines – would almost certainly bring about a rally in spreads. Whether we actually manage to achieve either of those, though, remains to be seen.

Figure 5. Telecoms, All Respondents

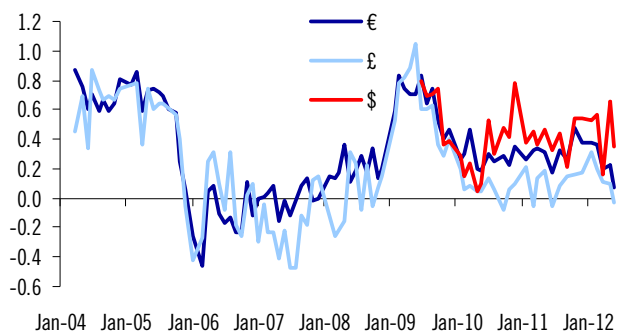


Figure 6. Telecoms, Real Money and Leveraged Accounts

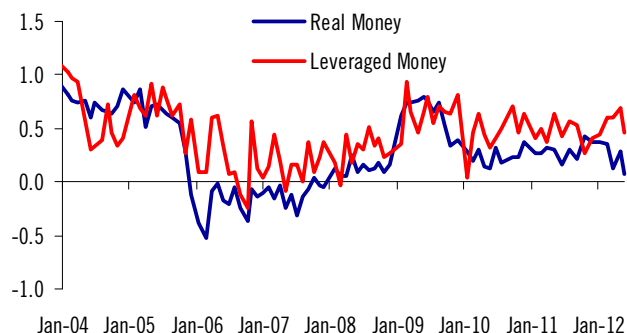


Figure 7. Cyclical, All Respondents

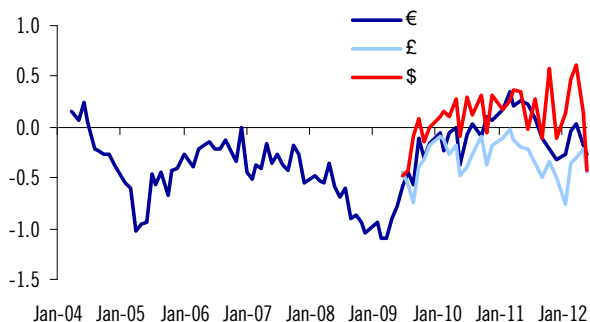


Figure 8. Cyclical, Real Money and Leveraged Accounts

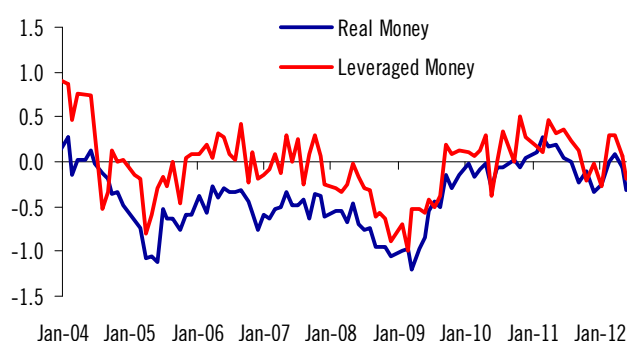


Figure 9. Non-cyclicals, All Respondents

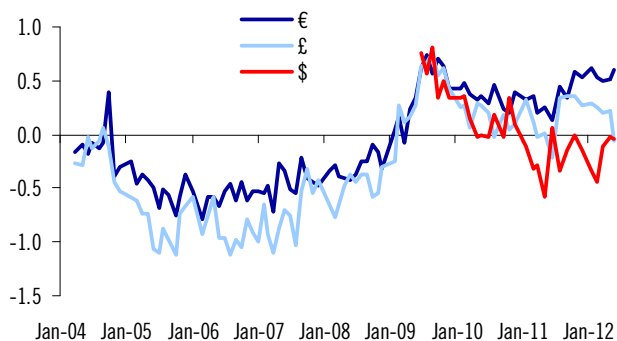


Figure 10. Non-cyclicals, Real Money and Leveraged Accounts

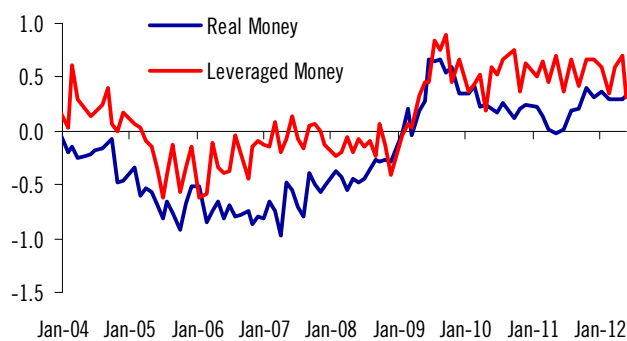


Figure 11. Utilities, All Respondents

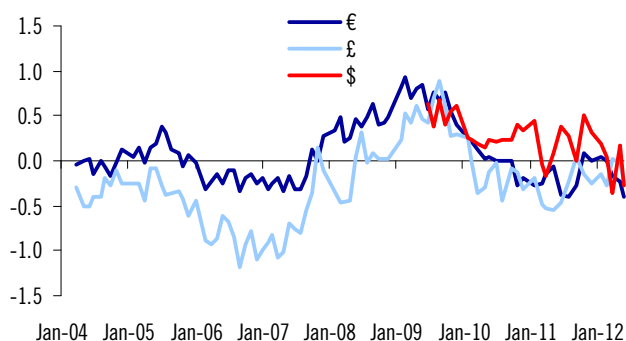
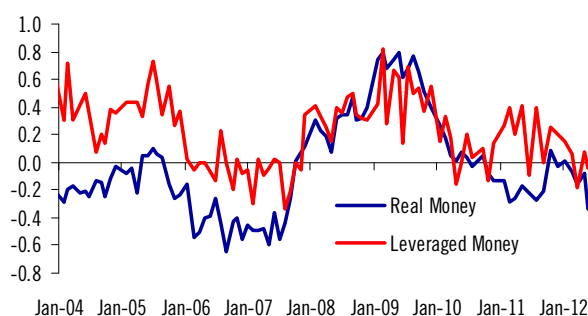


Figure 12. Utilities, Real Money and Leveraged Accounts



Source: Citi Investment Research and Analysis  
(+2 = Very Long, -2 = Very Short)

Figure 13. Industrials, All Respondents

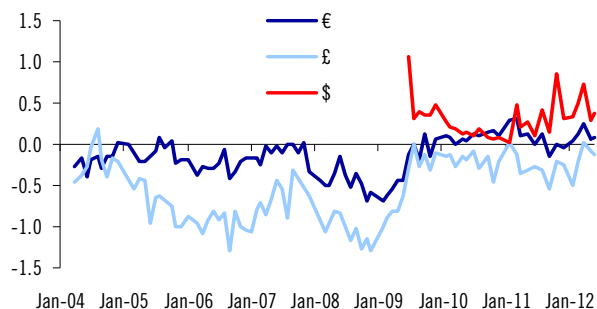


Figure 14. Industrials, Real Money and Leveraged Accounts

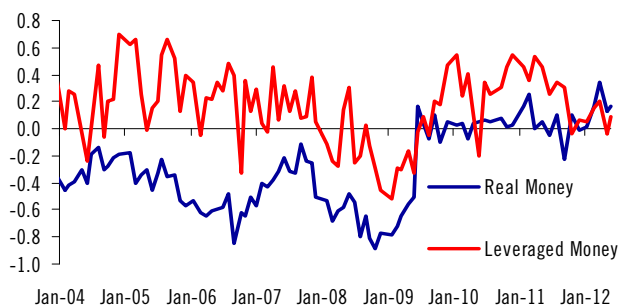


Figure 15. Non-Fin Hybrids, All Respondents

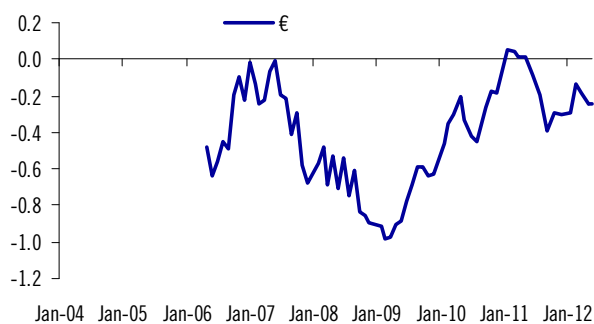


Figure 16. Non-Fin Hybrids, Real Money and Leveraged Accounts

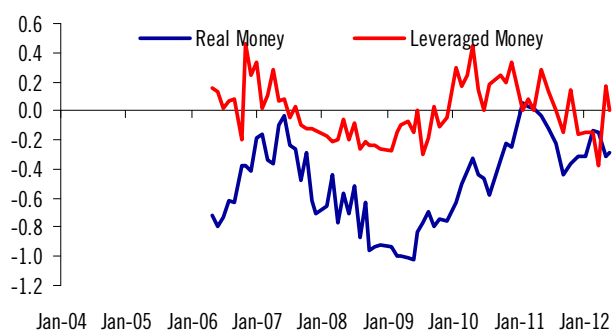


Figure 17. Banks Overall, All Respondents

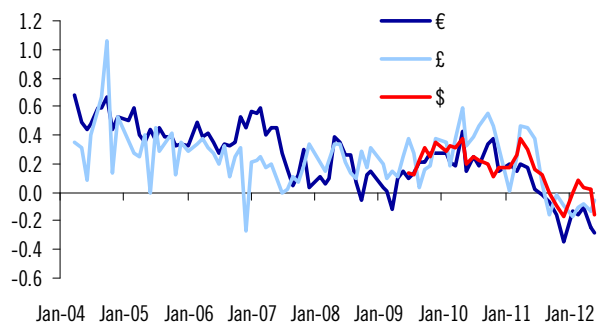


Figure 18. Banks Overall, Real Money and Leveraged Accounts

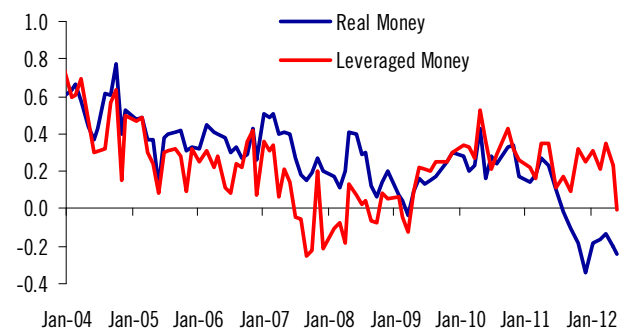


Figure 19. Insurance, All Respondents

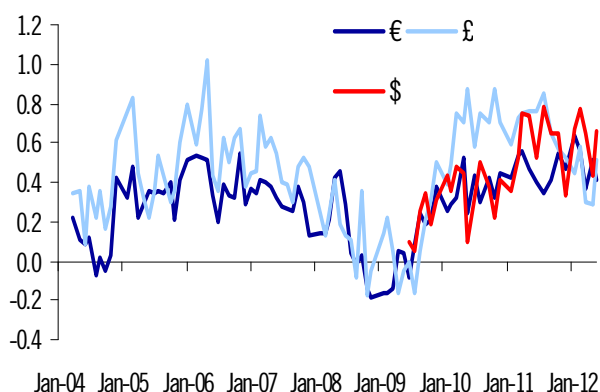
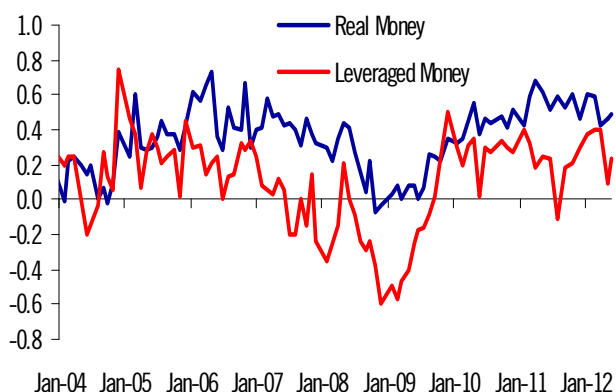


Figure 20. Insurance, Real Money and Leveraged Accounts



Source: Citi Investment Research and Analysis  
(+2 = Very Long, -2 = Very Short)

Figure 21. Banks, Senior, All Respondents

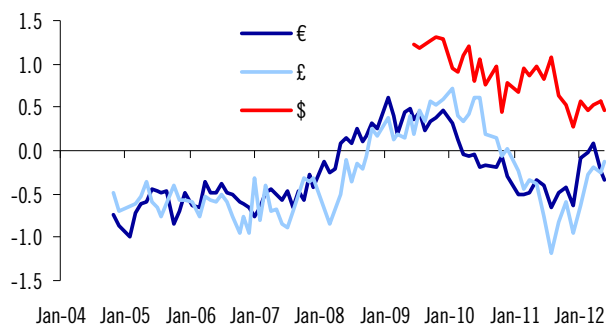


Figure 22. Banks, Senior, Real Money and Leveraged Accounts

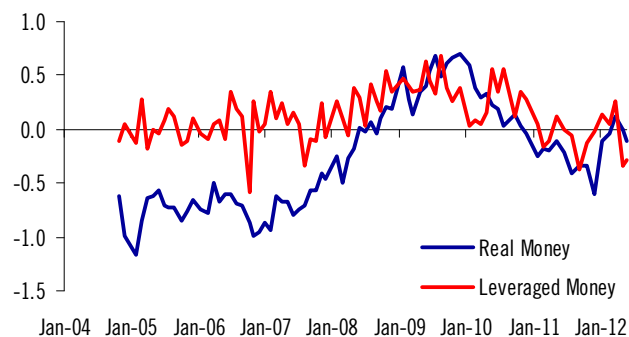


Figure 23. Banks, LT2, All Respondents

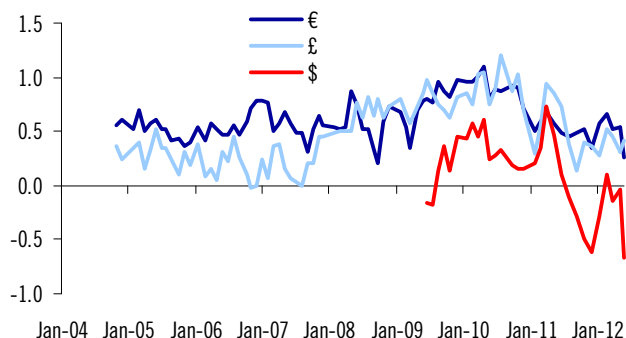


Figure 24. Banks, LT2, Real Money and Leveraged Accounts

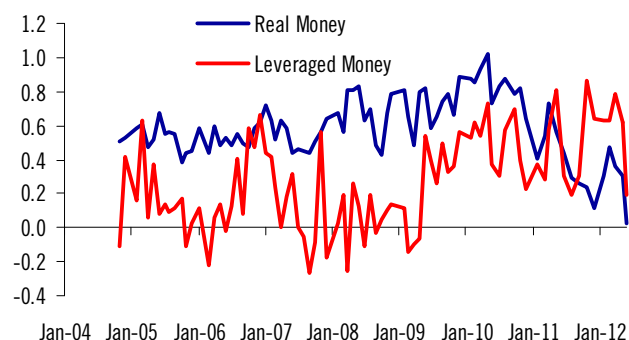


Figure 25. Banks, UT2, All Respondents

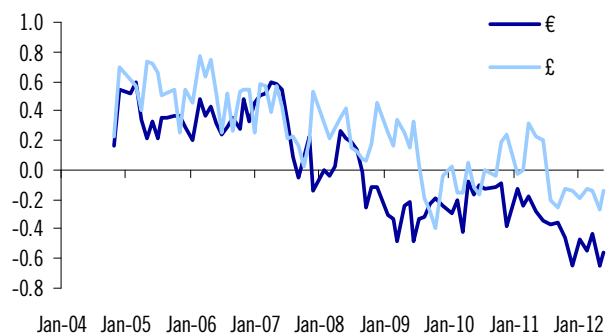


Figure 26. Banks, UT2, Real Money and Leveraged Accounts

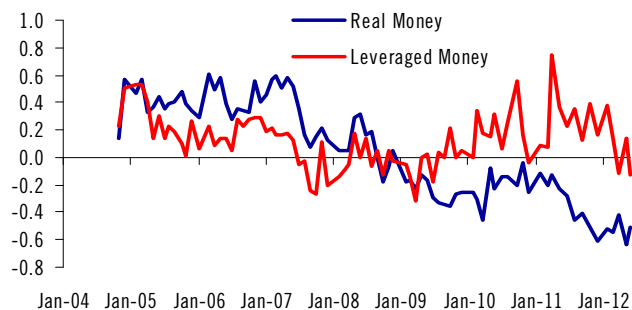


Figure 27. Banks, Tier 1, All Respondents

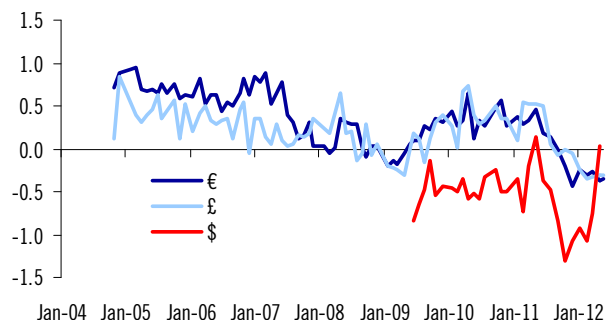
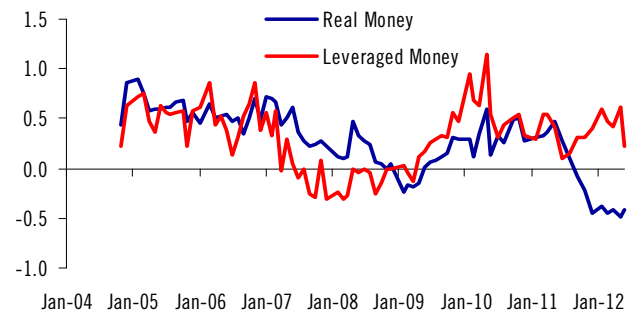


Figure 28. Banks, Tier 1, Real Money and Leveraged Accounts



Source: Citi Investment Research and Analysis  
(+2 = Very Long, -2 = Very Short)

Figure 29. Credit Indices, All Respondents

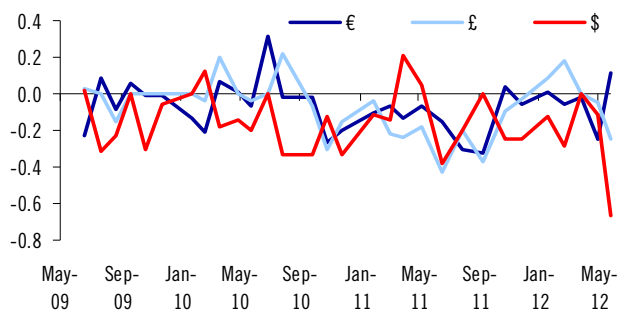


Figure 30. Credit Indices, Real Money and Leveraged Accounts

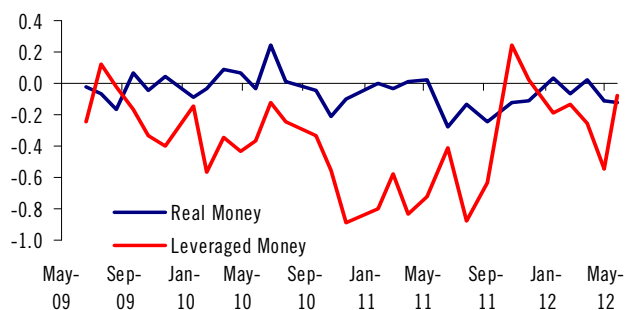


Figure 31. High Grade Overall, All Respondents

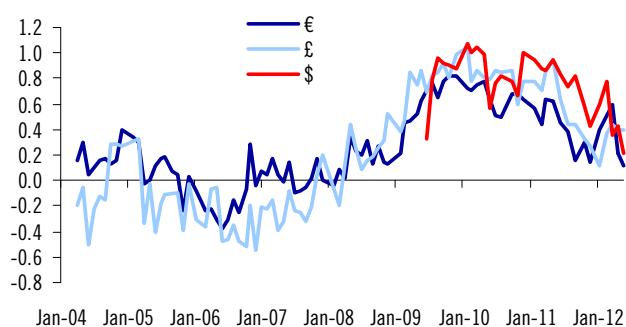


Figure 32. High Grade, Real Money and Leveraged Accounts

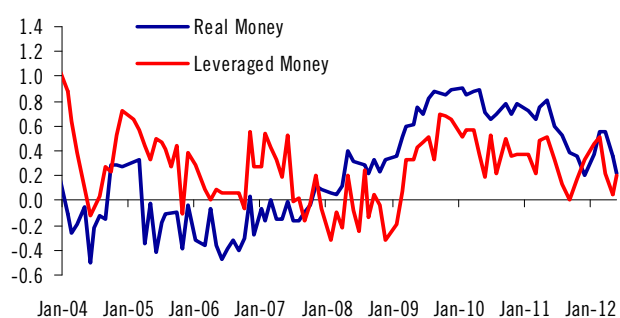


Figure 33. High Yield Overall, All Respondents

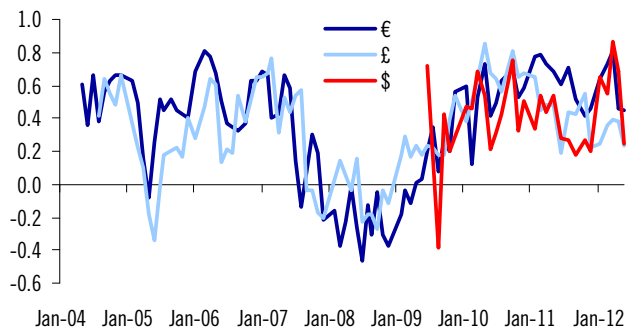


Figure 34. High Yield, Real Money and Leveraged Accounts

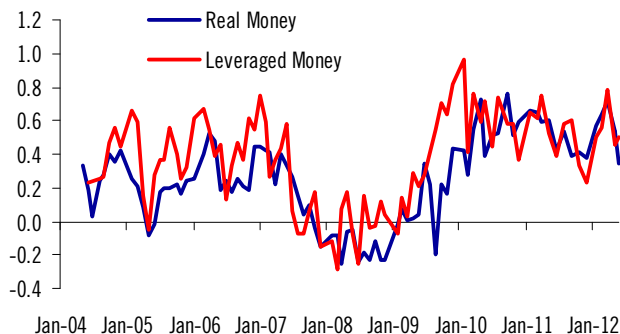


Figure 35. CREDIT Overall, All Respondents

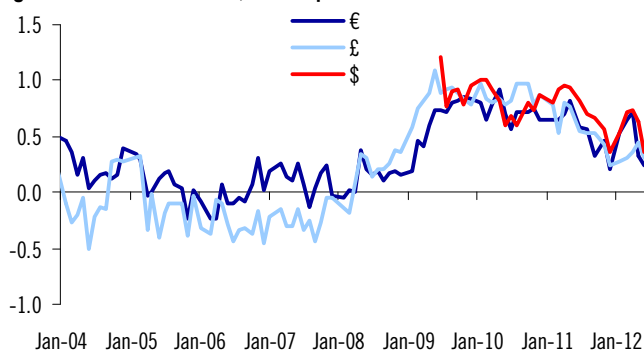
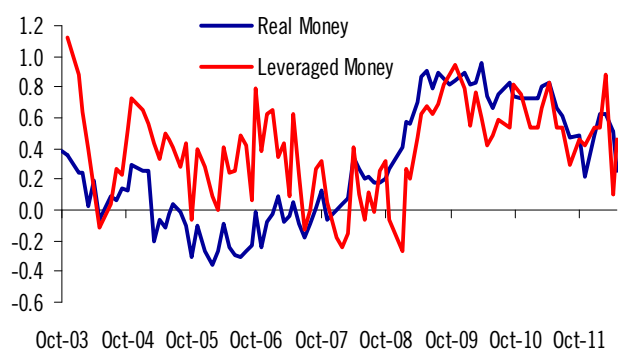


Figure 36. CREDIT Overall, Real Money and Leveraged Accounts



Source: Citi Investment Research and Analysis  
(+2 = Very Long, -2 = Very Short)

Figure 37. Cash Inflows, All Respondents

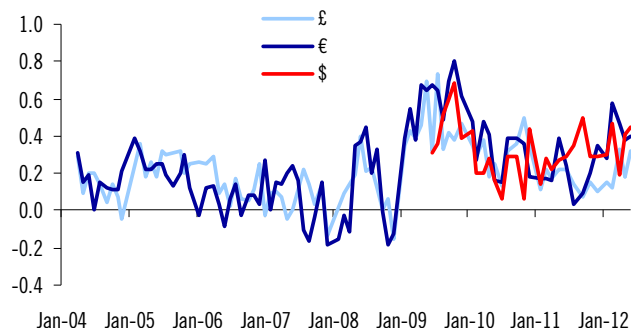


Figure 38. Cash Inflows, Real Money and Leveraged Accounts

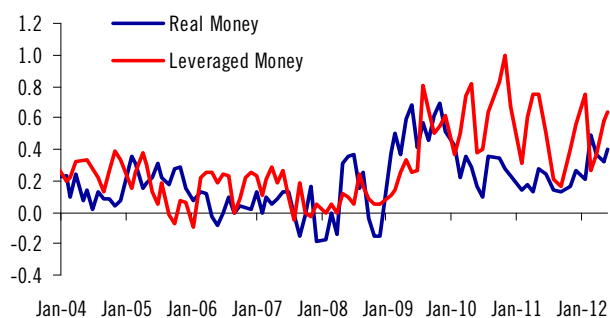


Figure 39. Lev Loans, All Respondents

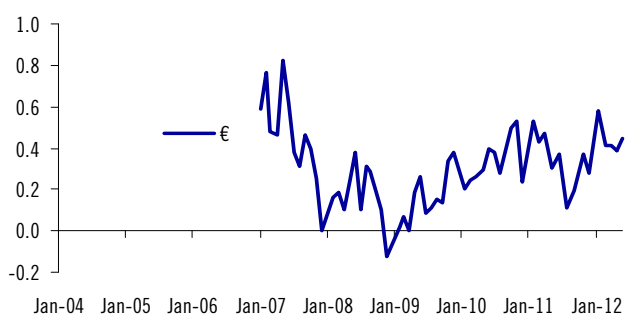


Figure 40. Lev Loans, Real Money and Leveraged Accounts

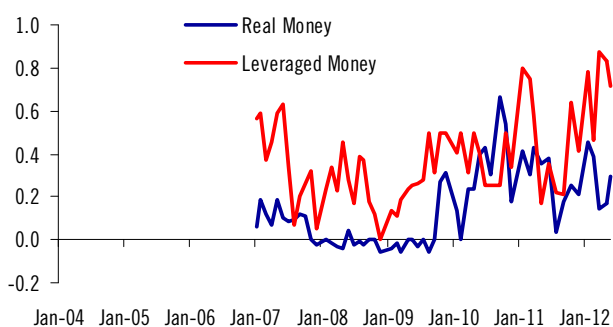


Figure 41. ABS, All (Sterling) Respondents

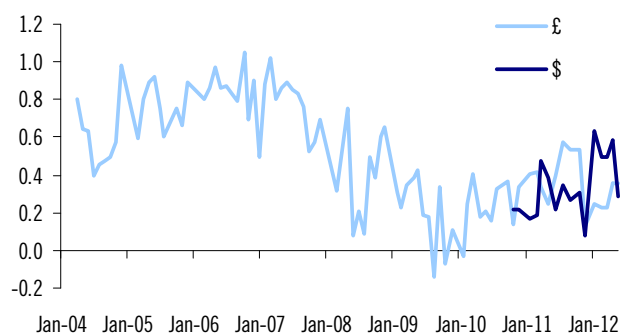


Figure 42. SAS, All (sterling) Respondents

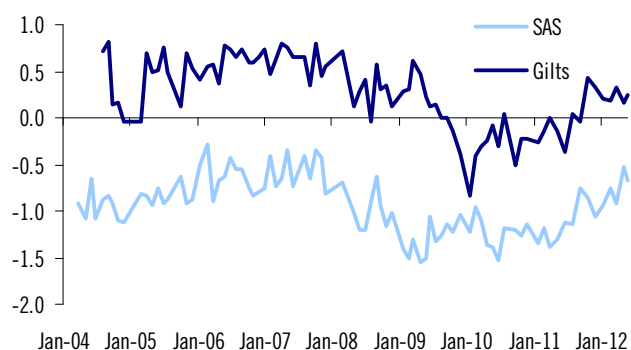


Figure 43. Gilts, All (Sterling) Respondents

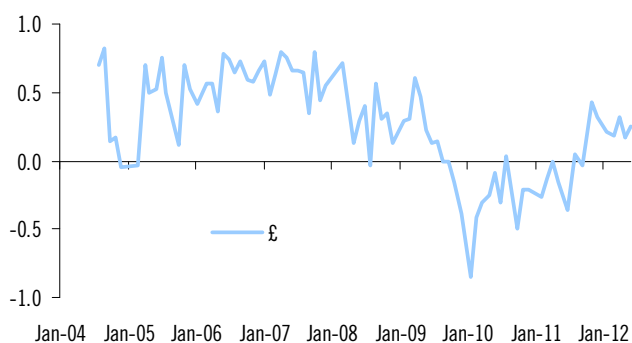
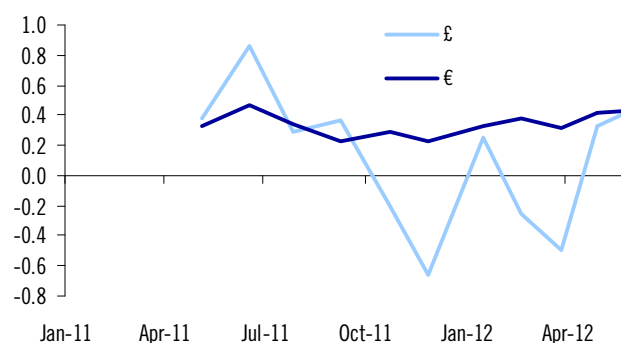
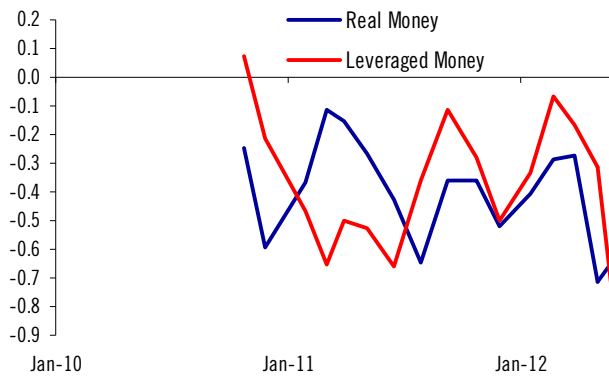


Figure 44. Covered, All Respondents



Source: Citi Investment Research and Analysis  
(+2 = Very Long, -2 = Very Short)

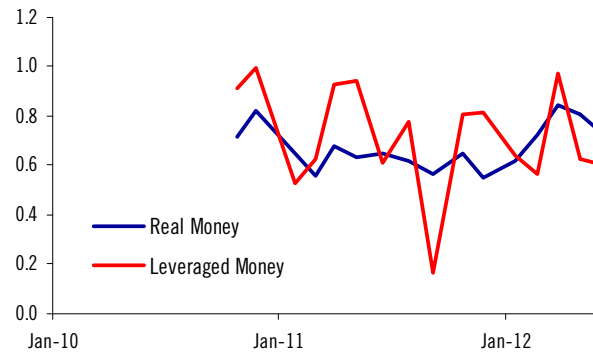
Figure 45. Peripheral Europe, Real and Leveraged Accounts



Source: Citi Investment Research and Analysis

(+2 = Very Long, -2 = Very Short)

Figure 46. Core, Real And Leveraged Accounts





## Appendix A-1

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