

Bond market outlook

BMCG – Bond Market Contact Group (ECB)

Frankfurt am Main

21 April 2015



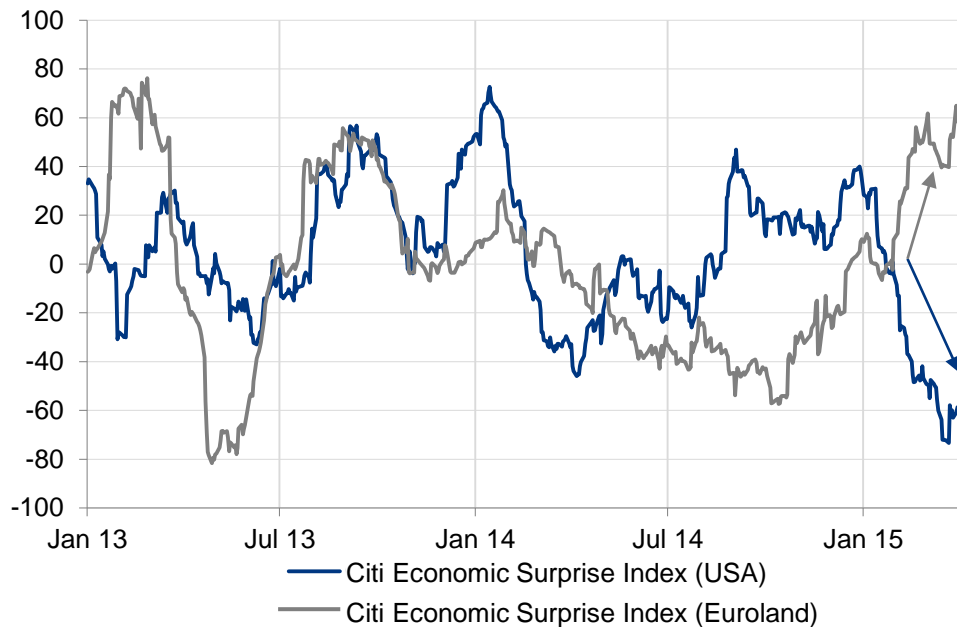
Allianz 
Global Investors

Ingo Mainert, efama (AllianzGI)

Understand. Act.

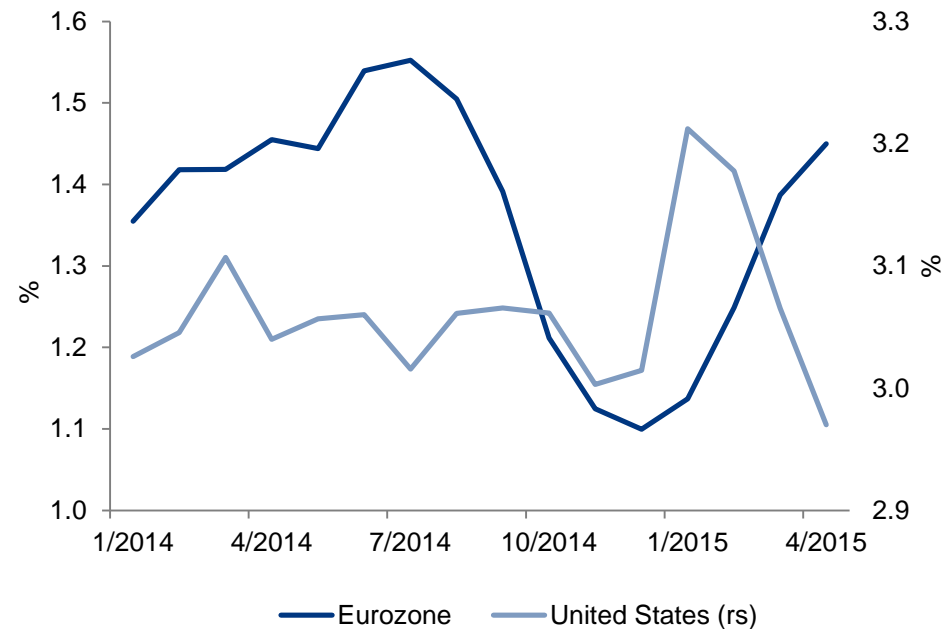
Economy

Surprise indices



Source: Bloomberg, Citigroup; as at April 1st, 2015.

Consensus GDP forecast (2015)



Source: Consensus Economics; as at April 10th, 2015.

Inflation

Eurozone inflation trend (in %)

	2010	2011	2012	2013	2014	Jan 15	Feb 15	Mar 15
DEU	1,2	2,5	2,1	1,6	0,8	-0,5	-0,1	0,1
FRA	1,7	2,3	2,2	1,0	0,6	-0,4	-0,3	
ITA	1,6	2,9	3,3	1,3	0,2	-0,5	0,1	
ESP	2,0	3,1	2,4	1,5	-0,2	-1,5	-1,2	
NLD	0,9	2,5	2,8	2,6	0,3	-0,7	-0,5	
BEL	2,3	3,4	2,6	1,2	0,5	-0,6	-0,4	
AUT	1,7	3,6	2,6	2,1	1,5	0,5	0,5	
GRI	4,7	3,1	1,0	-0,9	-1,4	-2,8	-1,9	
POR	1,4	3,6	2,8	0,4	-0,2	-0,4	-0,1	
FIN	1,7	3,3	3,2	2,2	1,2	-0,1	-0,1	
IRL	-1,6	1,2	1,9	0,5	0,3	-0,4	-0,4	
SVK	0,7	4,1	3,7	1,5	-0,1	-0,5	-0,6	
LT	1,2	4,1	3,2	1,2	0,2	-0,6	-0,6	
SVN	2,1	2,1	2,8	1,9	0,4	-0,7	-0,5	
LUX	2,8	3,7	2,9	1,7	0,7	-1,1	-0,3	
LV	-1,2	4,2	2,3	0	0,7	-0,3	0,0	
CYP	2,6	3,5	3,1	0,4	-0,3	-0,7	-0,8	
EST	2,7	5,1	4,2	3,2	0,5	-0,5	-0,2	
MLT	2,0	2,5	3,2	1,0	0,8	0,8	0,6	
Eurozone	1,6	2,7	2,5	1,4	0,4	-0,6	-0,3	-0,1
Core rate¹	1,0	1,4	1,5	1,1	0,8	0,6	0,7	0,6

Year-on-year change in consumer prices

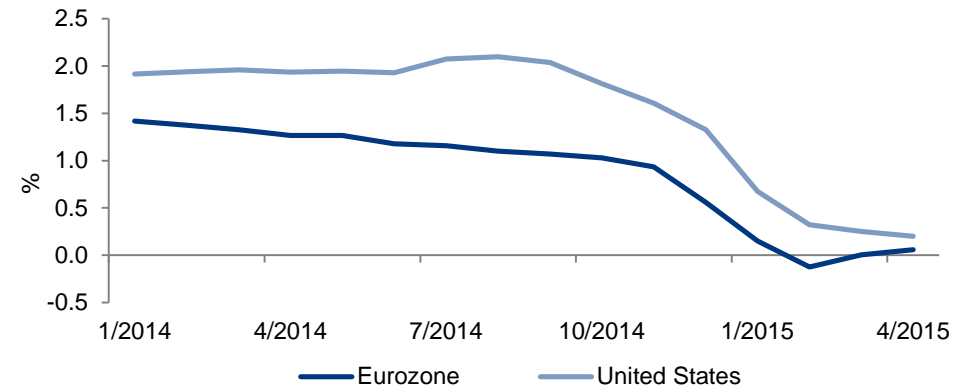
■ < 0,0 %
 ■ 0,0 % - 1,9 %
 ■ 2,0 % - 4,9 %
 ■ ≥ 5,0 %

¹ Excl. Energy, food, alcohol and tobacco.

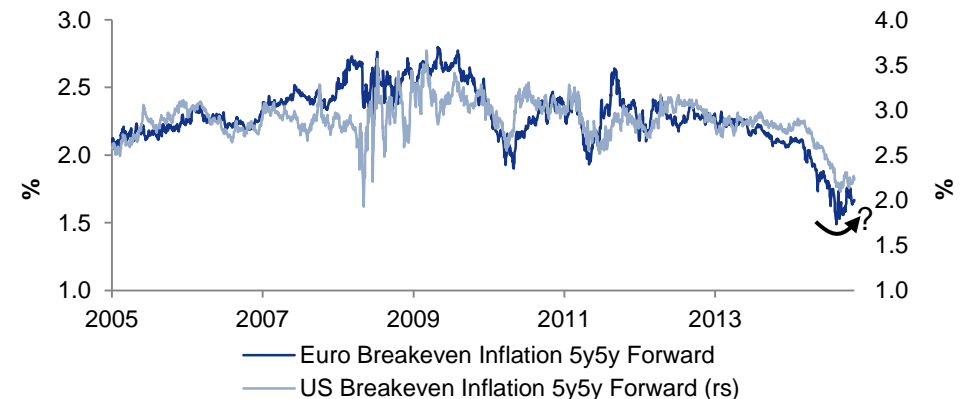
Source: Allianz Global Investors GmbH; as at April 2nd, 2015.

Past performance is not a reliable indicator of future results.

Consensus CPI forecast (2015)



Market based inflation compensation

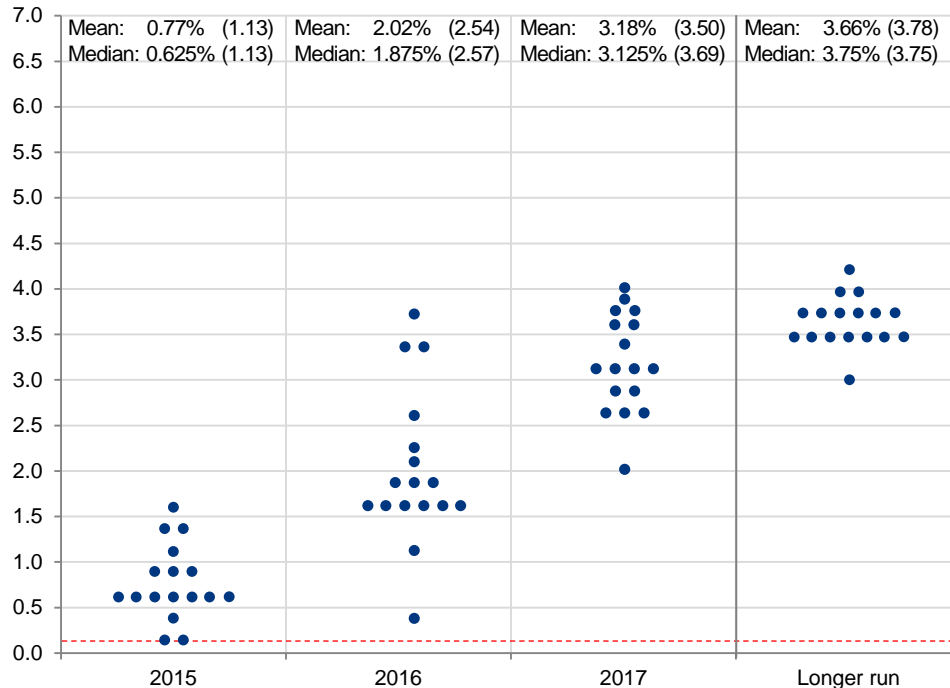


Source: Barclays, Consensus Economics; as at April 10th, 2015

Monetary policy (I)

Interest rate expectations of FOMC participants („Fed dots“)

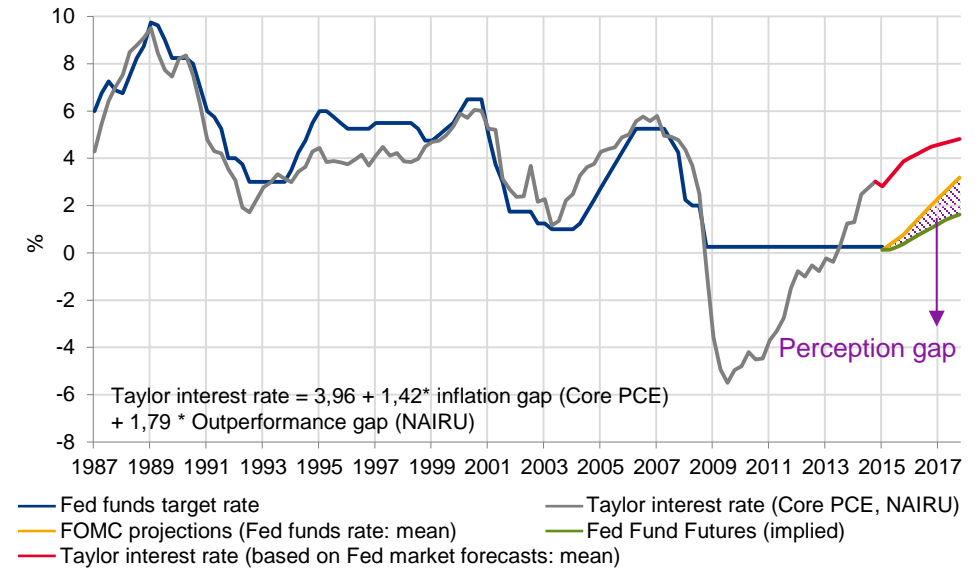
Fed funds rate in %



- FOMC participants' judgment of appropriate Fed funds rate at the end of the specified calendar year or over the longer run.
- Current base rate

Source: Board of Governors of the Federal Reserve System (March 2015, December 2014 in brackets), Allianz Global Investors GmbH; as at March 31st, 2015.

Risks inherent in medium-term interest rate forecasts (forward guidance)



The most recent macroeconomic and Fed funds rate projections by FOMC participants again conveyed the central bank's strategy to remain „behind the curve“ for the foreseeable future. This is clearly demonstrated by our modified „Taylor“ rule, which mimics the historical reaction function of the central bank. Money markets are pricing in an even shallower rate path compared to the already benign average Fed funds projections by FOMC participants.

* Note: Our modified „Taylor“ rule derived Fed Funds target rate is based on a long-term, neutral nominal rate coupled with weighted output (NAIRU vs. actual unemployment rate) and inflation gaps („Core PCE“ inflation vs long-term core inflation target on 1.5-2.0%).

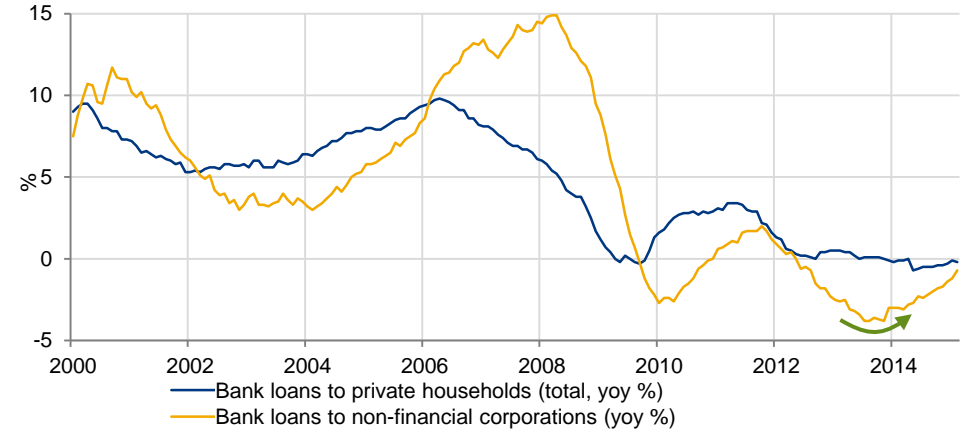
Source: Bloomberg, Federal Reserve, Allianz Global Investors GmbH; as at April 1st, 2015.

Monetary policy (II)

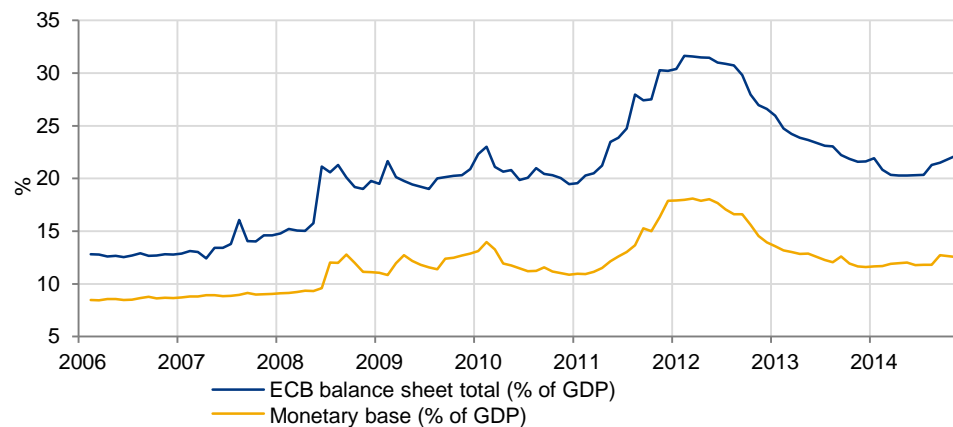
Money supply



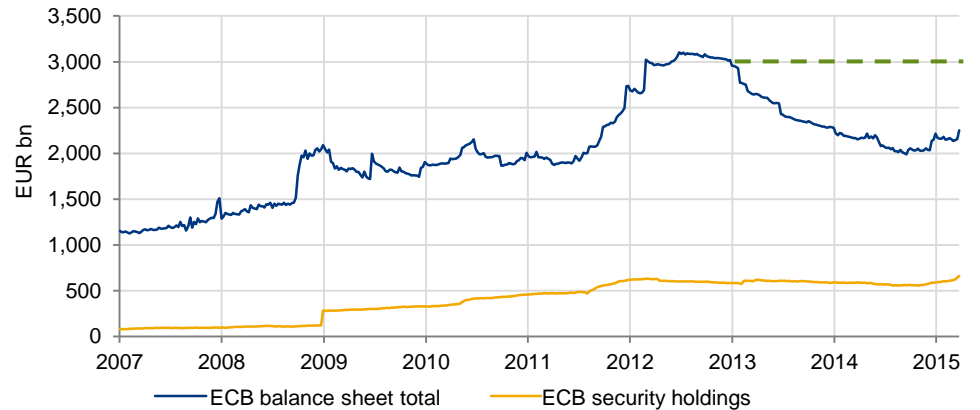
Loans



ECB balance sheet (I)



ECB balance sheet (II)



Source: Allianz Global Investors GmbH; as at April 1st, 2015.
Past performance is not a reliable indicator of future results

Monetary policy (III)

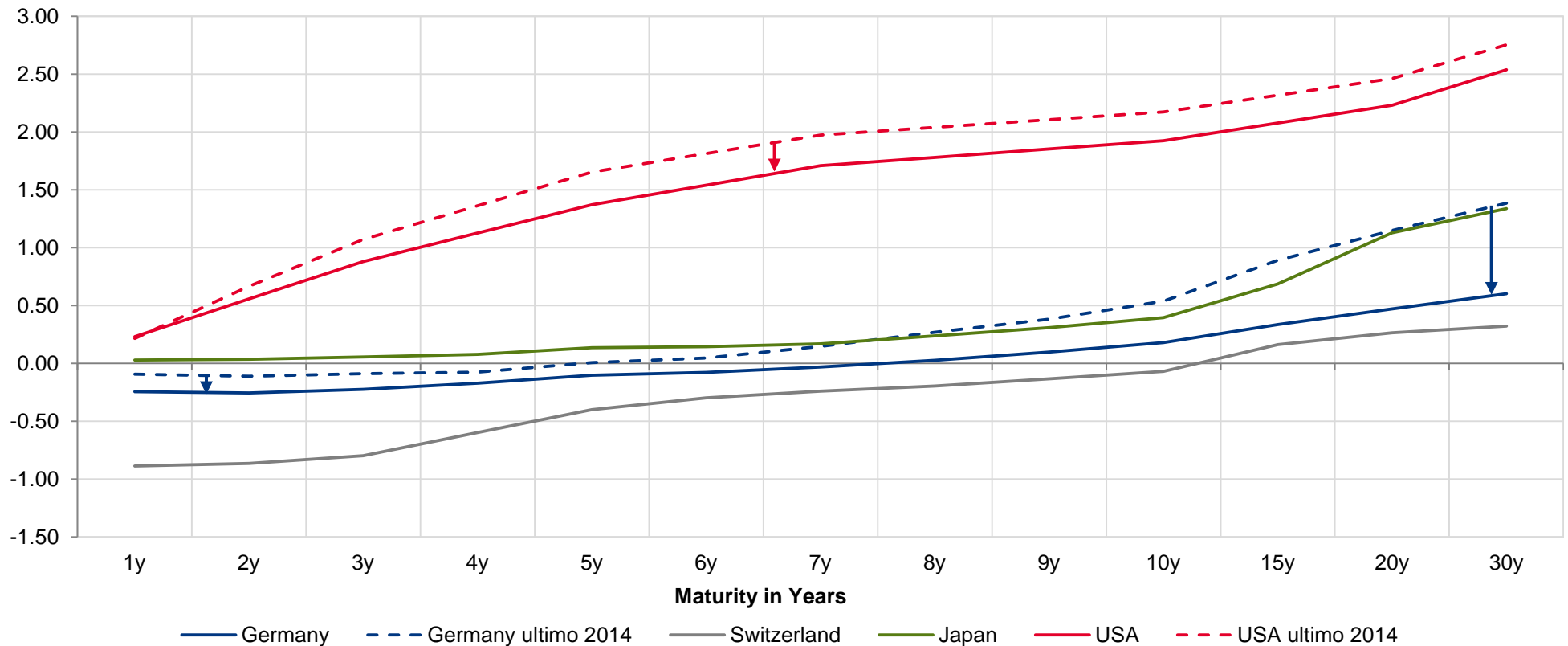
PSPP as at March 31st, 2015

Issuer	Purchased amounts by issuer			Average maturities of purchased amounts	
	Real purchased volumes per March 31 st	Theoretical purchased volumes based on ECB capital key	Delta	Weighted average maturity of purchased bonds in years	Weighted average maturity of outstanding bonds *
Germany	11.1	10.7	0.4	8.12	10.18
France	8.8	8.4	0.4	8.22	9.39
Italy	7.6	7.3	0.3	9.07	7.97
Spain	5.4	5.3	0.1	11.66	9.24
The Netherlands	2.5	2.4	0.1	6.71	9.49
Belgium	1.5	1.5	0.0	8.80	11.24
Austria	1.2	1.2	0.0	7.79	9.45
Portugal	1.1	1.0	0.1	10.96	8.24
Finland	0.8	0.8	0.0	7.26	9.19
Ireland	0.7	0.7	0.0	9.43	10.03
E-Agencies	5.7	5.7	0.0		
Rest	1.0	2.6	- 1.6		
Total	47.4	47.4	0.0		

Bond market (I)

Government bonds

Yield curve: Germany, Switzerland, Japan and United States



Source: Allianz Global Investors GmbH; as at March 31st, 2015.
Past performance is not a reliable indicator of future results.

Bond market (II)

Government bonds

	2015 Performance in % (2014/2013/2012)											
	Total		1 - 3 years		3 - 5 years		5 – 7 years		7 - 10 years		10+ years	
Euroland	4,34	(13,69/2,27/11,16)	0,46	(1,76/1,86/1,67)	<u>0,95</u>	(5,82/2,38/8,17)	1,77	(11,40/3,36/11,81)	3,23	(17,41/2,72/14,47)	<u>11,55</u>	(30,12/1,57/17,76)
Germany	3,70	(10,77/-2,26/4,52)	0,29	(0,62/-0,21/0,46)	<u>0,51</u>	(3,54/-0,69/2,65)	0,96	(7,71/-1,28/4,83)	2,57	(13,76/-1,86/6,85)	<u>11,24</u>	(28,12/-6,31/8,60)
France	3,95	(12,43/-0,51/10,19)	0,23	(0,99/0,17/2,35)	0,58	(4,55/-0,11/7,30)	1,27	(9,01/-0,22/11,32)	2,56	(15,50/0,11/14,01)	10,68	(28,95/-2,32/16,43)
Italy	5,66	(15,95/7,26/21,01)	0,82	(2,87/4,10/9,65)	1,74	(8,59/6,49/17,12)	2,87	(14,88/8,03/21,22)	4,59	(20,60/8,68/25,14)	13,51	(30,13/9,52/32,07)
Spain	4,07	(17,38/11,14/6,04)	0,76	(3,44/5,82/5,61)	1,47	(9,30/9,36/6,40)	1,90	(16,13/12,77/7,38)	3,23	(25,35/13,99/5,19)	10,89	(36,66/17,54/7,80)
Netherlands	3,79	(11,90/-2,04/5,94)	0,29	(1,02/0,05/1,17)	0,48	(4,17/-0,39/4,66)	1,19	(8,69/-0,79/7,08)	2,63	(14,94/-2,05/8,69)	11,98	(30,92/-6,62/8,70)
Belgium	4,87	(14,75/-0,47/16,67)	0,23	(1,25/0,26/5,65)	0,53	(4,56/0,49/12,67)	1,55	(10,02/0,11/17,45)	2,99	(16,13/-0,10/21,76)	11,26	(30,18/-2,40/25,60)
Austria	3,67	(13,12/-0,98/10,78)	0,26	(1,10/0,21/2,20)	0,35	(4,23/0,25/7,00)	1,06	(8,91/0,01/11,77)	2,45	(14,53/-0,74/13,93)	1,04	(7,30/-0,18/8,50)
Finland	2,82	(10,57/-1,82/7,30)	0,31	(0,91/-0,12/1,15)	0,52	(4,04/-0,61/4,55)	1,13	(8,48/-1,37/8,25)	2,85	(15,23/-2,25/10,02)		
Ireland	3,11	(14,31/11,90/29,31)	0,39	(1,89/3,99/14,99)	1,36	(7,94/8,44/24,73)	1,57	(14,20/12,27/32,84)	4,52	(24,14/13,22/34,20)	7,90	(27,16/16,96/36,42)
Portugal	6,90	(23,31/9,75/58,14)	1,19	(7,88/6,32/35,87)	2,68	(17,26/8,00/53,90)	4,71	(27,24/11,64/79,30)	9,14	(35,37/12,61/75,71)	21,36	(50,10/14,37/68,58)

Source: Allianz Global Investors GmbH, as at March 31st, 2015.
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Bond market (III)

Eurozone sovereigns: market snapshot

Country	Maturity	Bond	Yield (%)					Spread (bp)		Moody's	Rating S&P	Fitch
			Current	Δ 1 Day	Δ 2 Days	Δ 5 Days	Δ 1 Month	vs. Bund	ASW			
Germany	2y	BKO 0 03/10/17	-0,28	0,00	0,00	0,00	-0,06		-35	Aaa	AAA	AAA
	5y	OBL 0 04/17/20	-0,15	0,00	-0,01	-0,02	-0,09		-34			
	10y	DBR 0 1/2 02/15/25	0,10	-0,01	-0,04	-0,06	-0,18		-36			
	30y	DBR 2 1/2 08/15/46 CDS (5y)	0,51 16	-0,02 0	-0,07 0	-0,14 0	-0,18 0		-26			
France	2y	FRTR 3 3/4 04/25/17	-0,19	0,00	0,00	0,00	-0,06	8	-25	Aa1u	AAu	AA
	5y	FRTR 0 05/25/20	-0,02	0,00	-0,02	-0,03	-0,09	12	-22			
	10y	FRTR 0 1/2 05/25/25	0,35	-0,01	-0,06	-0,10	-0,17	23	-12			
	30y	FRTR 3 1/4 05/25/45 CDS (5y)	0,97 37	-0,02 -2	-0,08 -2	-0,16 -2	-0,11 -3	45	20			
Italy	2y	BTPS 4 3/4 05/01/17	0,14	-0,01	-0,03	-0,02	-0,06	41	8	Baa2u	BBB-u	BBB+
	5y	BTPS 1.05 12/01/19	0,53	0,01	-0,03	0,02	0,03	70	36			
	10y	BTPS 1 1/2 06/01/25	1,28	0,02	-0,02	-0,02	0,09	117	81			
	30y	BTPS 4 3/4 09/01/44 CDS (5y)	2,17 113	0,01 6	-0,06 9	0,02 9	0,24 9	166	140			
Spain	2y	SPGB 4 1/4 10/31/16	0,02	-0,01	-0,02	-0,01	-0,09	27	-10	Baa2	BBB	BBB+
	5y	SPGB 1.4 01/31/20	0,54	0,00	-0,03	0,02	0,03	70	36			
	10y	SPGB 1.6 04/30/25	1,28	0,02	-0,01	0,04	0,11	117	81			
	30y	SPGB 5.15 10/31/44 CDS (5y)	2,15 90	0,02 4	-0,05 7	0,06 7	0,26 7	164	138			
Netherlands	2y	NETHER 0 1/2 04/15/17	-0,21	0,00	0,00	0,00	-0,06	6	-27	NR	AA+u	AAA
	5y	NETHER 0 1/4 01/15/20	-0,10	0,00	-0,01	-0,01	-0,09	7	-27			
	10y	NETHER 2 07/15/24	0,16	-0,01	-0,04	-0,07	-0,16	11	-27			
	30y	NETHER 2 3/4 01/15/47 CDS (5y)	0,62 18	-0,02 0	-0,07 0	-0,14 0	-0,14 -1	9	-15			
Belgium	2y	BGB 3 1/2 06/28/17	-0,19	0,00	0,00	0,00	-0,05	8	-26	Aa3	AAu	AA
	5y	BGB 3 3/4 09/28/20	-0,06	0,00	-0,02	-0,02	-0,09	8	-27			
	10y	BGB 0.8 06/22/25	0,33	-0,01	-0,06	-0,10	-0,15	22	-14			
	30y	BGB 3 3/4 06/22/45 CDS (5y)	0,93 45	-0,02 0	-0,08 2	-0,17 2	-0,10 2	42	16			
Austria	2y	RAGB 3.2 02/20/17	-0,20	0,00	0,00	0,00	-0,06	8	-27	Aaa	AA+	AA+
	5y	RAGB 3.9 07/15/20	-0,06	0,00	-0,02	-0,04	-0,08	8	-26			
	10y	RAGB 1.65 10/21/24	0,21	-0,01	-0,05	-0,08	-0,13	13	-23			
	30y	RAGB 3.15 06/20/44 CDS (5y)	0,65 26	-0,02 1	-0,07 -1	-0,13 -1	-0,11 0	15	-11			
Finland	2y	RFGB 1 7/8 04/15/17	-0,23	0,00	0,01	0,01	-0,07	4	-29	Aaa	AA+	AAA
	5y	RFGB 3 3/8 04/15/20	-0,09	0,00	-0,01	-0,03	-0,09	6	-28			
	10y	RFGB 4 07/04/25	0,20	-0,01	-0,04	-0,08	-0,17	8	-28			
	30y	RFGB 2 5/8 07/04/42 CDS (5y)	0,52 0,24	-0,02 0,01	-0,07 0,01	-0,14 0,02	-0,15 0,01	4	-23			
Ireland	2y	IRISH 5 1/2 10/18/17	-0,12	-0,01	-0,04	-0,07	-0,10	14	-20	Baa1	A	A-
	5y	IRISH 4 1/2 04/18/20	0,10	-0,01	-0,07	-0,08	-0,14	25	-9			
	10y	IRISH 5.4 03/13/25	0,63	-0,01	-0,05	-0,08	-0,16	53	18			
	30y	IRISH 2 02/18/45 CDS (5y)	1,31 48	-0,01 1	-0,08 0	-0,11 0	-0,07 1	80	54			
Portugal	2y	PGB 4.2 10/15/16	0,00	-0,01	-0,01	-0,01	-0,08	24	-12	Ba1	BBu	WD
	5y	PGB 4.8 06/15/20	0,75	0,00	-0,04	-0,01	-0,09	89	55			
	10y	PGB 2 7/8 10/15/25	1,72	0,02	-0,03	0,09	0,17	159	123			
	30y	PGB 4.1 02/15/45 CDS (5y)	2,57 133	0,01 2	-0,05 5	0,10 5	0,41 16	206	181			
Greece	2y	GGB 3 3/8 07/17/17	24,37	0,19	1,48	3,95	4,62	2464	2430	Caa1 /-	CCC+	CCC
	5y	GGB 4 3/4 04/17/19	17,24	0,34	0,98	2,22	1,56	1744	1710			
	10y	GGB 3 02/24/25	11,76	-0,15	0,04	0,65	1,14	1165	1130			
	30y	GGB 3 02/24/42 CDS (5y)	9,12	-0,09	0,07	0,36	0,70	865	837			

Source: Bloomberg, Datastream, BofA Merrill Lynch; as at April 16th, 2015.

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Bond market (IV)

Eurozone spread segments: market snapshot

Segment	Segment	Rendite (%)					ASW Spread (bp)					Performance (%)		
		Current	Δ 1 Day	Δ 5 Days	Δ 1 Month	Δ YTD	Current	Δ 1 Day	Δ 5 Days	Δ 1 Month	Δ YTD	1 Week	1 Month	Δ YTD
	Sovereigns	0,71	-0,04	-0,04	-0,03	-0,54	0	0	0	0	0	0,30	0,23	4,63
	Corporates All (IG)	0,94	0,00	-0,02	-0,05	-0,23	66	0	1	2	-7	0,13	0,38	1,81
	Collateralized/Securitized	0,21	0,00	-0,04	-0,06	-0,27	0	0	-1	1	-11	0,20	0,43	1,75
	Quasi-Government	0,20	0,00	-0,04	-0,06	-0,34	-6	0	-2	2	-16	0,29	0,52	2,72
	High Yield	4,22	0,00	-0,06	-0,02	-0,30	340	0	-6	4	-35	0,25	0,73	3,81
	Emerging Markets (EMBI+, USD)	5,76	0,03	0,00	-0,54	-0,29	384	3	0	-37	-4	0,14	4,41	3,74

Covered Bonds	Covered Bond Segment (Country/Maturity)	Rendite (%)					ASW Spread (bp)					Performance (%)		
		Current	Δ 1 Day	Δ 5 Days	Δ 1 Month	Δ YTD	Current	Δ 1 Day	Δ 5 Days	Δ 1 Month	Δ YTD	1 Week	1 Month	Δ YTD
	Covered Bonds	0,20	0,00	-0,04	-0,06	-0,27	0	0	-1	1	-11	0,20	0,43	1,76
	Covered Bonds 1-3y	0,06	0,00	-0,02	-0,02	-0,17	-1	0	-1	1	-6	0,03	0,04	0,35
	Covered Bonds 3-5y	0,09	0,00	-0,03	-0,06	-0,25	-5	0	-1	1	-11	0,12	0,26	1,08
	Covered Bonds 5-7y	0,21	0,00	-0,05	-0,10	-0,28	-5	0	-2	0	-12	0,26	0,59	1,91
	Covered Bonds 7-10y	0,42	0,00	-0,06	-0,10	-0,33	1	0	-2	0	-13	0,45	0,93	3,35
	Covered Bonds 10y+	0,92	0,00	-0,06	-0,15	-0,62	40	0	-2	-2	-26	0,60	1,50	8,41
	Covered Bonds German Jumbo Pfandbriefe	0,00	0,00	-0,02	-0,04	-0,12	-11	0	-1	1	1	0,07	0,13	0,44
	Covered Bonds Italian Issuers	0,32	0,00	-0,04	-0,04	-0,41	11	0	-1	3	-25	0,21	0,34	2,35
	Covered Bonds Nordic Issuers	0,11	0,00	-0,03	-0,05	-0,19	-6	0	-1	0	-4	0,13	0,31	1,02
	Covered Bonds Spanish Issuers	0,46	0,00	-0,04	-0,03	-0,40	24	0	-1	3	-24	0,25	0,46	3,10
	Covered Bonds UK Issuers	0,15	0,00	-0,03	-0,06	-0,24	-3	0	-1	0	-8	0,16	0,40	1,28
	Covered Bonds French Issuers	0,14	0,00	-0,04	-0,09	-0,25	-9	0	-1	0	-7	0,24	0,58	1,78

Corporates	Corporate Bond Segmente (Laufzeiten/Ratings)	Rendite (%)					ASW-Spread (bp)					Performance (%)		
		Current	Δ 1 Day	Δ 5 Days	Δ 1 Month	Δ YTD	Current	Δ 1 Day	Δ 5 Days	Δ 1 Month	Δ YTD	1 Week	1 Month	Δ YTD
	Corporates (IG) 1-3y	0,52	0,00	-0,01	-0,06	-0,16	38	0	1	-3	-6	0,02	0,13	0,56
	Corporates (IG) 3-5y	0,75	0,00	-0,01	-0,07	-0,30	58	0	1	0	-15	0,05	0,23	0,89
	Corporates (IG) 5-7y	0,98	0,00	-0,02	-0,05	-0,22	70	0	1	5	-5	0,10	0,33	1,65
	Corporates (IG) 7-10y	1,34	0,00	-0,02	-0,07	-0,21	90	0	2	5	0	0,22	0,56	2,80
	Corporates (IG) 10y+	1,55	0,00	-0,04	-0,06	-0,53	101	0	0	5	-15	0,50	1,13	6,17
	Corporates AAA	0,69	0,00	-0,04	-0,10	-0,30	27	0	-1	0	-2	0,45	1,07	3,61
	Corporates AA	0,53	0,00	-0,02	-0,03	-0,12	29	0	1	4	5	0,16	0,43	1,49
	Corporates A	0,77	0,00	-0,01	-0,04	-0,16	51	0	1	4	2	0,13	0,36	1,51
	Corporates BBB	1,26	0,00	-0,01	-0,06	-0,34	95	0	1	0	-20	0,13	0,38	2,20
	Corporates BB	2,96	0,00	-0,05	0,02	-0,15	250	0	-2	14	-5	0,28	0,75	3,52
	Corporates B	5,24	0,00	-0,06	-0,14	-0,88	424	0	-10	-8	-92	0,20	0,75	5,40
	Corporates CCC (<=)	13,43	0,00	-0,16	0,52	1,67	943	0	-22	-8	-13	0,11	0,47	0,21

Source: Bloomberg, Datastream, BofA Merrill Lynch, as at April 15th, 2015.
Past performance is not a reliable indicator of future results.

Bond market (V)

Eurozone spread segments: market snapshot

Non-Financials (IG)	Corporate Bond Segmente (IG Non-Financials)							ASW Spread (bp)					Performance (%)		
	Current	Δ 1 Day	Yield (%)			Current	Δ 1 Day	Δ 5 Days	Δ 1 Month	Δ YTD	1 Week	1 Month	Δ YTD		
			Δ 5 Days	Δ 1 Month	Δ YTD										
Non-Financials (IG)	0,89	0,00	-0,02	-0,07	-0,27	61	0	1	1	-8	0,15	0,42	2,01		
Non-Financials AAA	0,73	0,00	-0,04	-0,10	-0,33	28	0	-1	1	-2	0,49	1,17	3,97		
Non-Financials AA	0,60	0,00	-0,02	-0,03	-0,19	28	0	0	4	1	0,22	0,60	2,28		
Non-Financials A	0,71	0,00	-0,02	-0,05	-0,18	45	0	1	4	4	0,16	0,40	1,78		
Non-Financials BBB	1,08	0,00	-0,01	-0,09	-0,35	80	0	1	-1	-19	0,13	0,39	2,09		
Industrials	0,87	0,00	-0,02	-0,08	-0,29	59	0	1	0	-10	0,15	0,47	2,00		
Basic Industry	0,94	0,00	0,00	-0,03	-0,18	66	0	2	4	-1	0,06	0,31	1,58		
Capital Goods	0,78	0,00	-0,02	-0,03	-0,14	54	0	0	3	0	0,12	0,29	1,37		
Energy	1,08	0,00	-0,02	-0,40	-0,93	76	0	1	-30	-72	0,18	0,71	2,74		
Media	0,90	0,00	-0,02	0,02	-0,19	59	0	2	9	3	0,16	0,42	2,27		
Real Estate	1,04	0,00	-0,02	0,03	-0,14	77	0	1	10	3	0,11	0,29	1,86		
Services Cyclical	1,21	0,00	0,00	0,00	0,00	63	0	0	0	0	0,00	0,00	0,00		
Services Non-Cyclical	0,84	0,00	-0,03	0,01	-0,21	67	0	-1	11	-2	0,18	0,00	1,36		
Telecommunications	0,98	0,00	-0,02	-0,04	-0,20	71	0	1	5	0	0,20	0,47	2,34		
Technology&Electronics	0,85	0,00	-0,03	-0,03	-0,23	44	0	0	7	5	0,31	0,78	2,90		
Utilities	0,99	0,00	-0,02	-0,02	-0,19	71	0	1	7	-1	0,16	0,26	2,03		

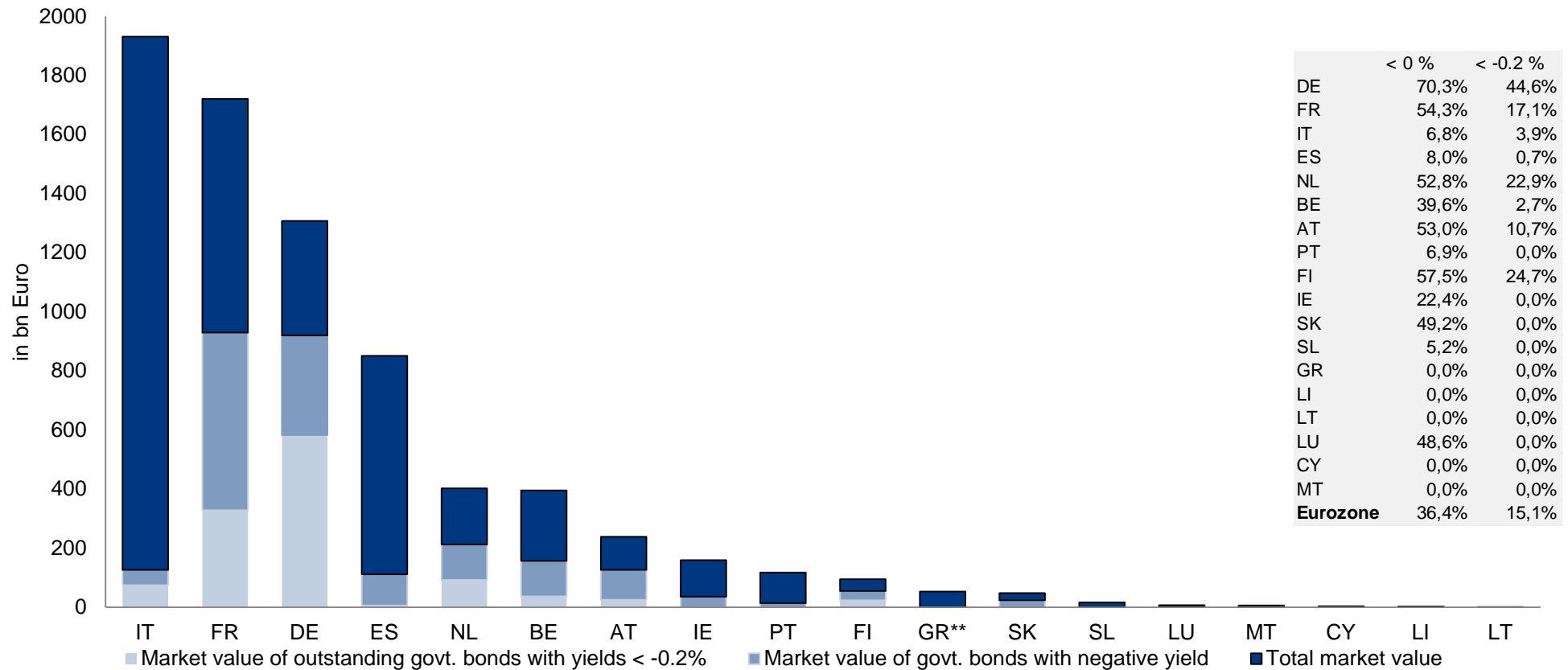
Financials	Corporate Bond Segmente (Financials)						ASW Spread (bp)					Performance (%)		
	Current	Δ 1 Day	Rendite (%)			Current	Δ 1 Day	Δ 5 Days	Δ 1 Month	Δ YTD	1 Week	1 Month	Δ YTD	
			Δ 5 Days	Δ 1 Month	Δ YTD									
Financials (IG)	1,02	0,00	-0,01	-0,03	-0,18	74	0	1	4	-4	0,11	0,32	1,51	
Banks	0,83	0,00	-0,01	-0,03	-0,17	61	0	1	4	-2	0,07	0,31	1,11	
Banks Senior	0,63	0,00	-0,01	-0,03	-0,16	46	0	1	3	0	0,07	0,29	0,83	
Banks Subordinated (Upper Tier 2)	1,99	-0,04	-0,04	-0,23	-1,00	204	-4	-3	-19	-85	0,11	0,51	3,25	
Banks Subordinated (Lower Tier 2)	2,14	-0,01	-0,03	-0,06	-0,31	194	1	2	3	-13	0,18	0,66	3,17	
Banks Subordinated (Tier 1)	3,45	0,00	-0,06	-0,19	-0,02	344	0	-2	-9	-1	0,26	0,86	3,70	
Insurance	2,39	0,00	-0,02	-0,06	-0,31	169	0	0	3	-27	0,26	0,30	4,16	
Insurance Senior	0,73	0,00	-0,02	0,03	-0,12	49	0	1	6	3	0,14	0,29	1,29	
Insurance Subordinated	3,57	0,00	-0,02	-0,03	-0,38	253	0	-1	7	-41	0,37	0,45	6,13	

IRS	EUR Interest Rate Swaps						Spread vs. Bund (bp)					Performance (%)		
	Current	Δ 1 Day	Yield (%)			Current	Δ 1 Day	Δ 5 Days	Δ 1 Month	Δ YTD	1 Week	1 Month	Δ YTD	
			Δ 5 Days	Δ 1 Month	Δ YTD									
EUR Swap 2y	0,06	0,00	-0,01	-0,03	-0,11	33	0	0	2	3	0,02	0,04	0,18	
EUR Swap 5y	0,19	-0,02	-0,03	-0,10	-0,17	36	-1	-2	-1	0	0,11	0,45	0,87	
EUR Swap 10y	0,46	-0,04	-0,08	-0,16	-0,35	38	0	-1	-1	8	0,42	1,25	3,49	
EUR Swap 30y	0,77	-0,05	-0,09	-0,22	-0,69	25	0	4	-6	15	0,98	4,97	23,00	

Source: Bloomberg, Datastream, BofA Merrill Lynch, as at April 15th, 2015.
Past performance is not a reliable indicator of future results.

Bond market outlook (I)

Market volume of outstanding public debt* with negative yields and yields below the ECB's deposit rate (%)



*) excl. T-Bills, incl. inflation-linked bonds

**) incl. ECB and EIB holdings of GGBs.

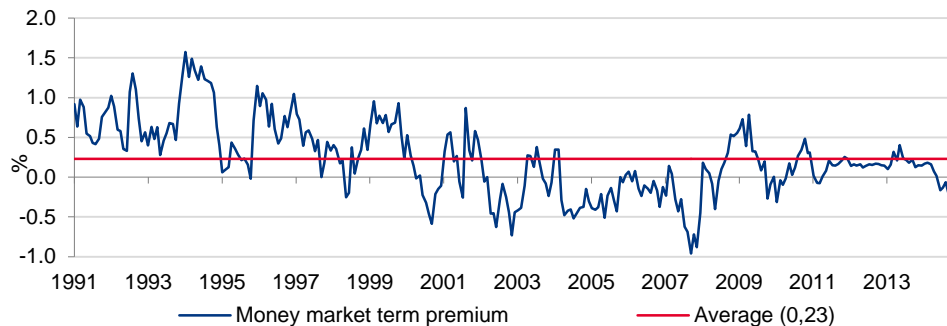
Past performance is not a reliable indicator of future results.

Sources: Bloomberg, Allianz Global Investors GmbH; as at April 16th, 2015.

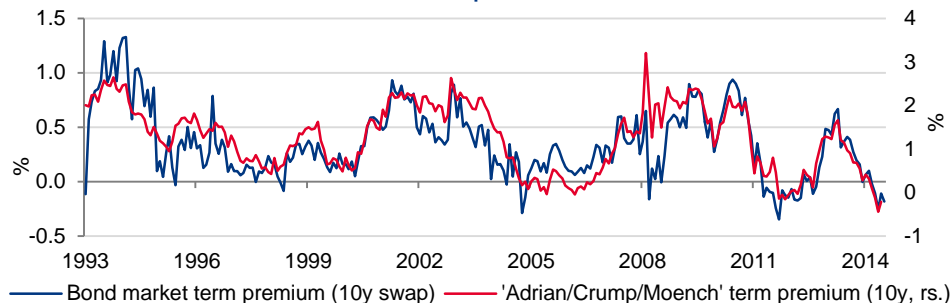
Bond market outlook (II)

Higher term premia and repricing of medium-term monetary policy expectations to weigh on US Treasuries

United States: Money market term premium

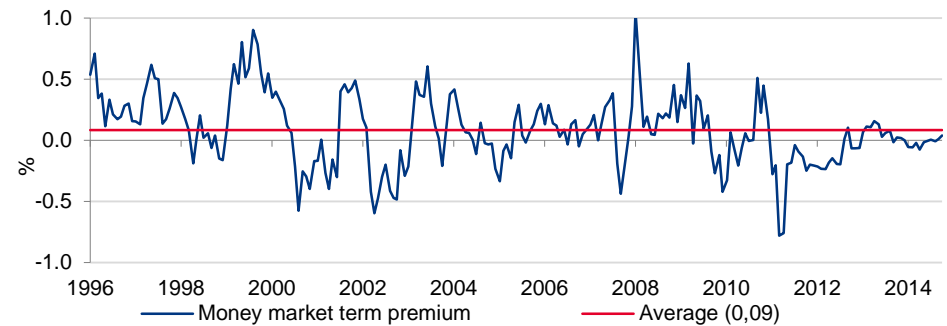


United States: Bond market term premium

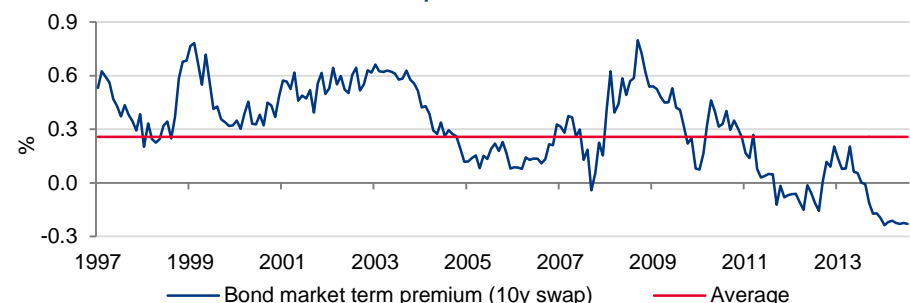


Eurozone bond market: long-end term premium at historically low levels

Eurozone: Money market term premium



Eurozone: Bond market term premium



Going forward we expect both, a repricing of medium-term monetary policy expectations and a normalization of term premia to contribute to higher long-term interest rates in the United States.

Long-end term premia in the Eurozone have plummeted to new historical lows over recent weeks.

Source: Bloomberg, Credit Suisse, Federal Reserve, Consensus Economics, Allianz Global Investors GmbH; as at March 31st, 2015

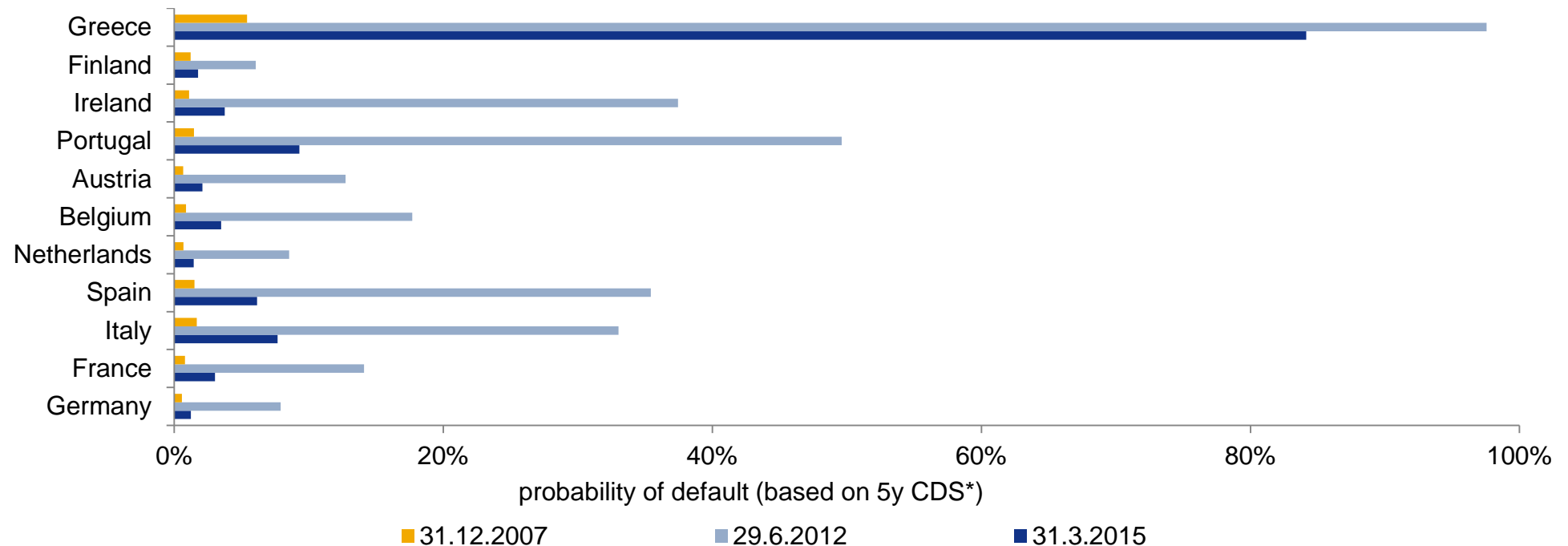
Source: Bloomberg, Credit Suisse, Consensus Economics, Allianz Global Investors GmbH; as at March 31st, 2015

Note: Money market term premium based on implicit 3m interest rates (12m forward) vs. consensus interest 3m rate expectations (12m forward). Bond market risk premium based on regression of 1y forward rates (one to five years) vs. subsequent 1y excess returns of 10y swap. 13

Bond market outlook (III)

Euro sovereigns: compared to pre-crisis levels, markets still priced for higher probability of default

Eurozone sovereigns: Implied default probability



Euro peripheral sovereign markets are currently pricing in a higher probability of default over coming years compared to pre-crisis levels. Peripheral risk premia should remain stable over the months ahead against the backdrop of a slow but ongoing economic recovery and fiscal healing combined with an accommodative monetary policy stance by the ECB.

Bond market outlook (IV)

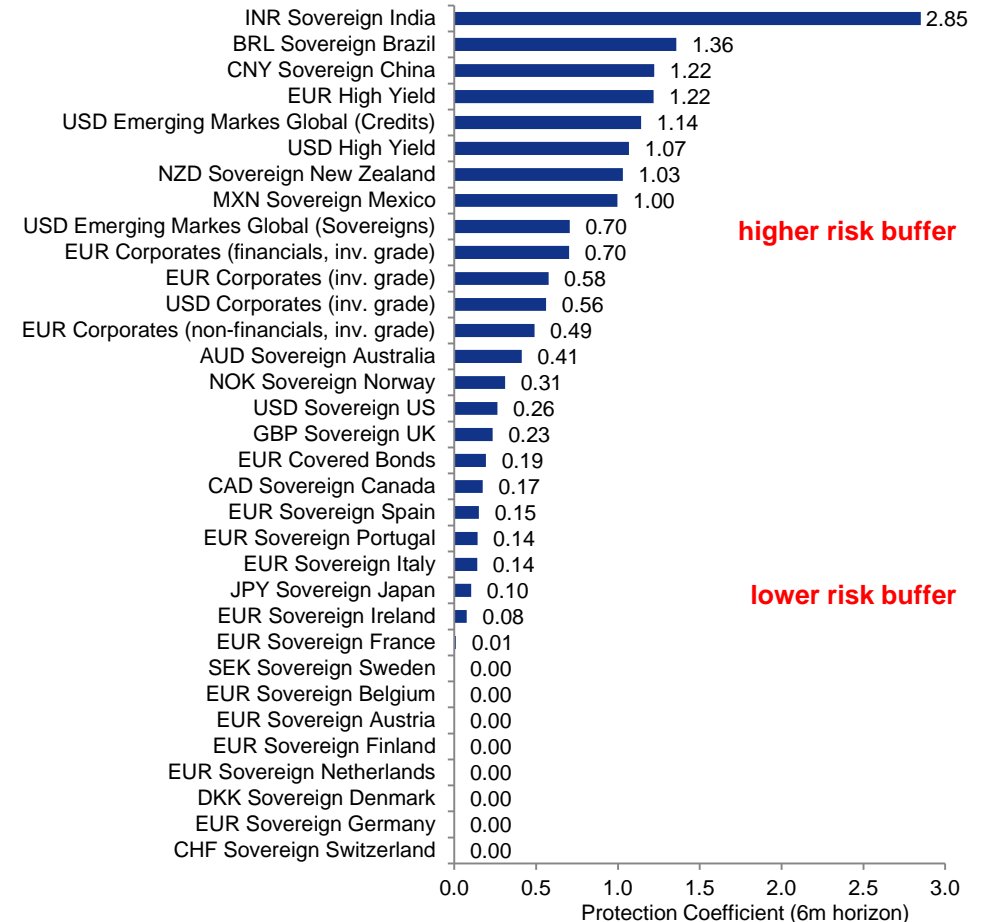
The ‚Protection Coefficient‘: A relative valuation tool

$$PC_t = \frac{BE_t}{\sigma_t}$$

PC: protection coefficient
BE: ‚break even‘ spread(return: 0%)
σ: adjusted standard deviation(yield changes)
t: time period

- The ‚Protection Coefficient‘ is a relative valuation tool for investments in different bond markets
- It is based on a ‚break even‘ spread measuring the yield increase at which the nominal return of the respective segment is 0% over the period under consideration
- For a meaningful comparison we risk adjust the measure by using the adjusted standard deviation of historical yield changes. For investments in different currencies fx risks needs to be considered as well

‚Protection Coefficient‘



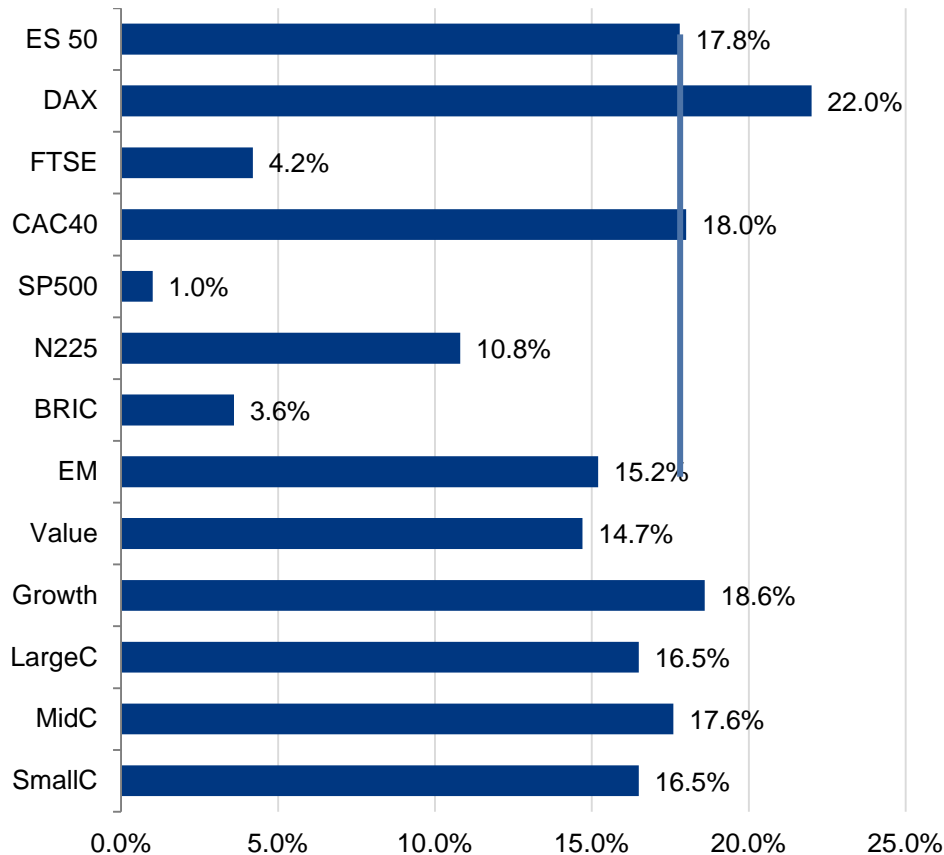
Already a small increase of interest rates would cause losses for ‚safe‘ government bonds

Note: Calculation excludes currency risks and ‚roll down the yield curve‘ effect. Sovereigns based on 5y yields.

Source: Bloomberg, Datastream, Allianz Global Investors GmbH; as at March 31st, 2015

Equity market (I)

Equity: Performance versus EuroSTOXX 50/ Investment Style, Q1/ 2015



Source: Bloomberg; as at March 31st, 2015

American and European banking stocks compared

Since December 31st, 2008



Since December 31st, 2006

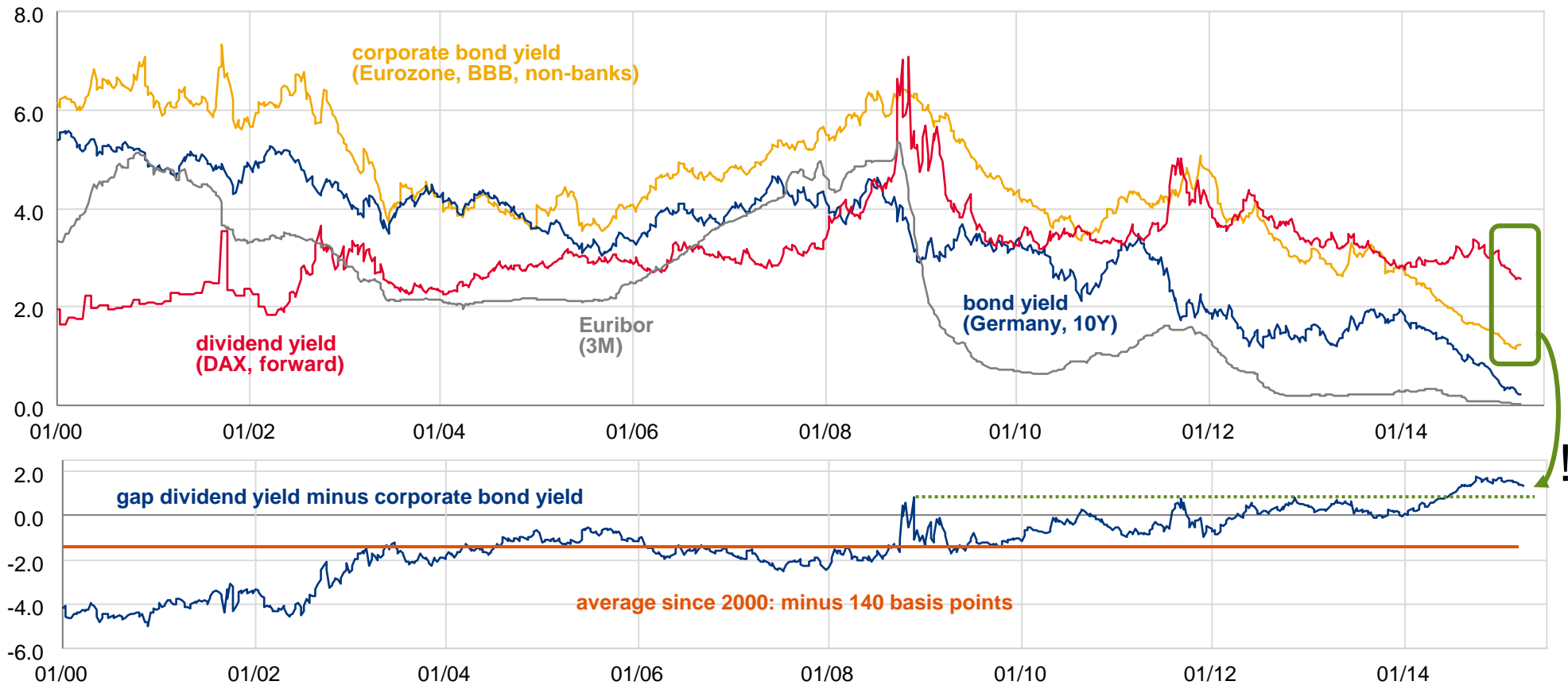


Note: End 2008 = 100.

Source: Allianz Global Investors GmbH, as at April 1st, 2015. Past performance is not a reliable indicator of future results.

Equity market (II)

Comparison of relative valuations of traditional asset classes



Source: FTSE corporate bond index, FactSet, Datastream, Commerzbank; as at April 3rd, 2015.
Past performance is not a reliable indicator of future results.

Currencies

Divided eurozone

The euro is undervalued for ...	
	„reasonable“ exchange rate
Germany	1,53
Ireland	1,41
Austria	1,35
The euro is overvalued for ...	
	„reasonable“ exchange rate
Finland	1,28
Spain	1,26
Portugal	1,24
France	1,23
The Netherlands	1,22
Belgium	1,19
Italy	1,19
Greece	1,07

Disclaimer

Investing involves risk. The value of an investment and the income from it may fall as well as rise and investors may not get back the full amount invested.

The volatility of fund unit prices may be increased or even strongly increased. Past performance is not a reliable indicator of future results. If the currency in which the past performance is displayed differs from the currency of the country in which the investor resides, then the investor should be aware that due to the exchange rate fluctuations the performance shown may be higher or lower if converted into the investor's local currency.

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