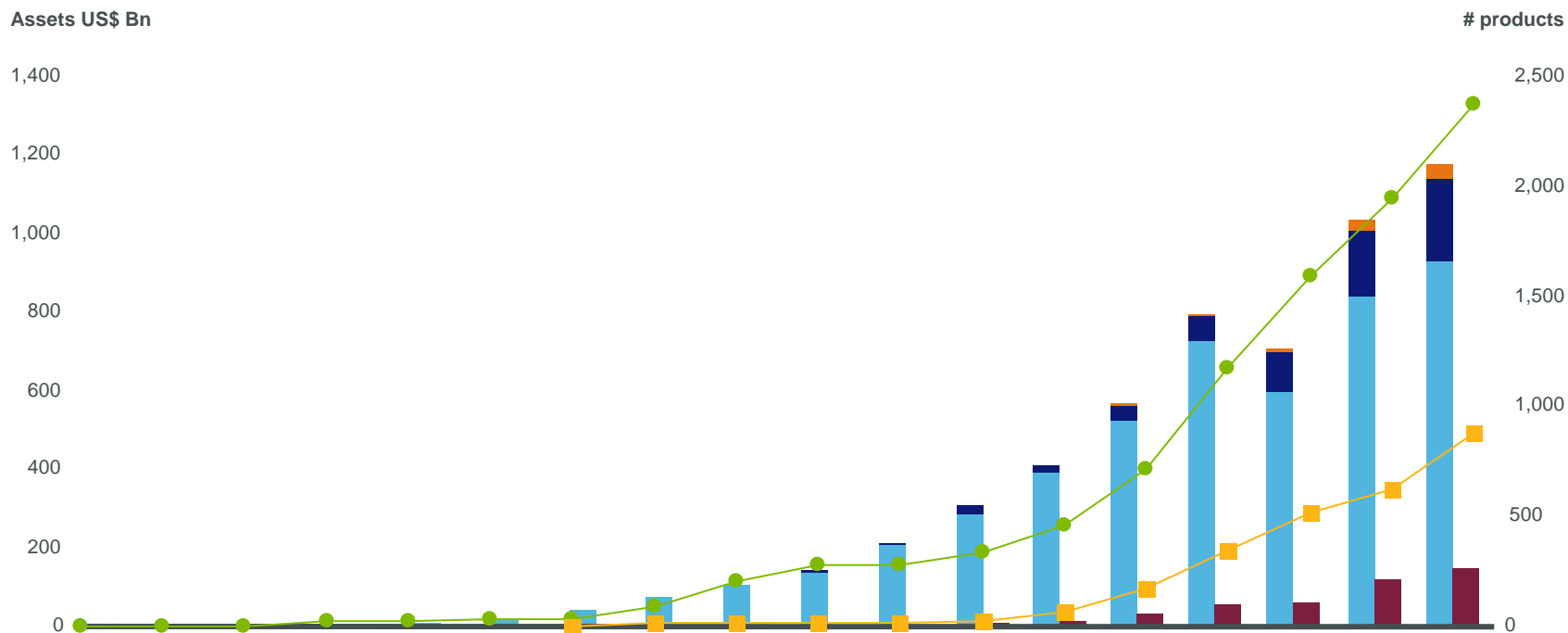




## Il mercato obbligazionario e gli ETF

Emanuele Bellingeri  
Head of iShares Italy

# La crescita globale degli ETF

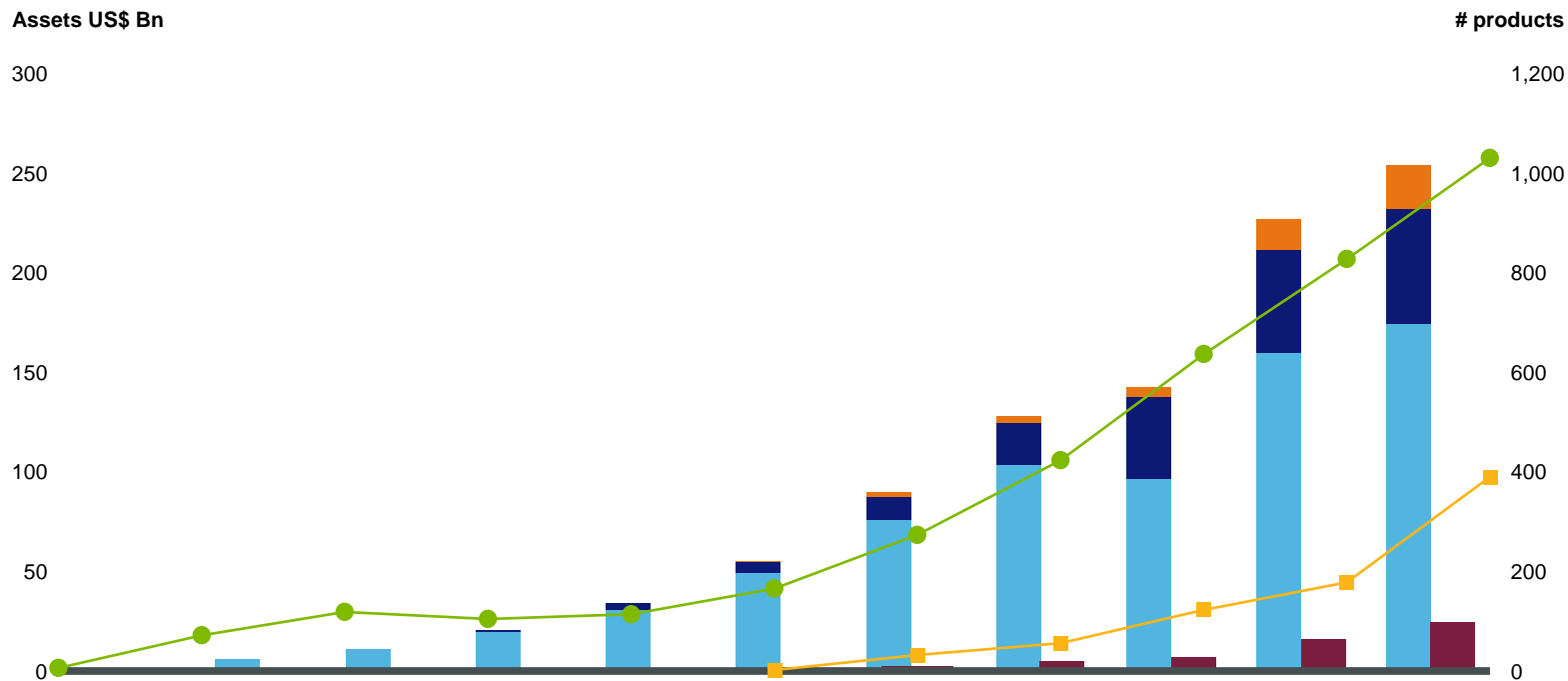


| Assets (US\$ Bn) | 1993  | 1994  | 1995  | 1996  | 1997  | 1998   | 1999   | 2000   | 2001    | 2002    | 2003    | 2004    | 2005    | 2006    | 2007    | 2008    | 2009      | Q3-10     |
|------------------|-------|-------|-------|-------|-------|--------|--------|--------|---------|---------|---------|---------|---------|---------|---------|---------|-----------|-----------|
| ETF total        | \$0.8 | \$1.1 | \$2.3 | \$5.3 | \$8.2 | \$17.6 | \$39.6 | \$74.3 | \$104.8 | \$141.6 | \$212.0 | \$309.8 | \$412.1 | \$565.6 | \$796.7 | \$711.1 | \$1,036.0 | \$1,181.3 |
| ETF equity       | \$0.8 | \$1.1 | \$2.3 | \$5.3 | \$8.2 | \$17.6 | \$39.6 | \$74.3 | \$104.7 | \$137.5 | \$205.9 | \$286.3 | \$389.6 | \$526.5 | \$729.9 | \$596.4 | \$841.6   | \$931.7   |
| ETF fixed income |       |       |       |       |       |        |        | \$0.1  | \$0.1   | \$4.0   | \$5.8   | \$23.1  | \$21.3  | \$35.8  | \$59.9  | \$104.0 | \$167.0   | \$209.9   |
| ETF commodity    |       |       |       |       |       |        |        |        | \$0.0   | \$0.1   | \$0.3   | \$0.5   | \$1.2   | \$3.4   | \$6.3   | \$10.0  | \$25.6    | \$35.4    |
| ETP total        |       |       |       |       |       |        | \$2.0  | \$5.1  | \$3.9   | \$4.1   | \$6.3   | \$9.3   | \$15.9  | \$32.5  | \$54.6  | \$61.2  | \$119.7   | \$146.9   |
| # ETFs           | 3     | 3     | 4     | 21    | 21    | 31     | 33     | 92     | 202     | 280     | 282     | 336     | 461     | 714     | 1,172   | 1,595   | 1,945     | 2,379     |
| # ETPs           |       |       |       |       |       |        | 2      | 14     | 17      | 17      | 18      | 22      | 64      | 170     | 347     | 517     | 624       | 878       |

Data as at end Q3 2010.

Source: Global ETF Research and Implementation Strategy Team, BlackRock, Bloomberg.

# La crescita europea degli ETF



| Assets (US\$ Bn) | 2000         | 2001         | 2002          | 2003          | 2004          | 2005          | 2006          | 2007           | 2008           | 2009           | Q3-10          |
|------------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|----------------|----------------|----------------|----------------|
| <b>ETF total</b> | <b>\$0.7</b> | <b>\$5.7</b> | <b>\$10.7</b> | <b>\$20.4</b> | <b>\$34.0</b> | <b>\$54.9</b> | <b>\$89.7</b> | <b>\$128.5</b> | <b>\$142.7</b> | <b>\$226.9</b> | <b>\$256.2</b> |
| ETF commodity    |              |              |               |               |               | \$0.4         | \$2.0         | \$3.3          | \$4.9          | \$15.2         | \$22.0         |
| ETF fixed income |              |              |               | \$1.0         | \$2.9         | \$5.2         | \$12.1        | \$21.0         | \$41.1         | \$51.6         | \$58.1         |
| ETF equity       | \$0.7        | \$5.7        | \$10.7        | \$19.4        | \$31.0        | \$49.3        | \$75.7        | \$103.5        | \$96.6         | \$159.8        | \$173.9        |
| ETP total        |              |              |               |               |               | \$1.1         | \$2.1         | \$4.9          | \$7.0          | \$15.7         | \$24.4         |
| # ETFs           | 6            | 71           | 118           | 104           | 114           | 165           | 273           | 423            | 636            | 827            | 1,030          |
| # ETPs           |              |              |               |               |               | 2             | 32            | 56             | 123            | 178            | 389            |

Data as at end Q3 2010.

Source: Global ETF Research and Implementation Strategy Team, BlackRock, Bloomberg.

## iShares e BlackRock

**BLACKROCK**



- iShares è parte del gruppo BlackRock, leader globale nell'asset management con attivi in gestione di \$3.350 mld
- BlackRock: gestore puro ed indipendente senza alcun azionista di maggioranza
- iShares è il leader mondiale del mercato di ETF
- iShares in Italia è presente con 97 ETF quotati presso Borsa Italiana, patrimoni in gestione pari a circa 6,3 miliardi di Euro e con una quota di mercato in Italia del 39%\*

\* Fonte: Borsa Italiana, dati al 30.09.10

## Gli ETF obbligazionari di iShares

- Gli asset in gestione della gamma di ETF obbligazionari iShares domiciliati in Europa hanno superato i 25 miliardi di dollari ad agosto 2010
- I 40 ETF a reddito fisso di iShares rappresentano quasi il 50% degli asset degli ETF obbligazionari europei, confermando la posizione di leader di mercato detenuta in questa asset class
- I principali trend di mercato, oltre al successo dei prodotti governativi tradizionali, sono stati:
  - Uno dei fondi che hanno registrato maggiori flussi di investimento è stato l'**iShares Markit iBoxx Euro Corporate Bond (IBCX IM)**, con un patrimonio di 4,5 miliardi di dollari
  - Da inizio anno è emerso un forte interesse per le obbligazioni dei mercati emergenti che ha consentito all'**iShares JPMorgan \$ Emerging Market Bond Fund (IEMB LN)** di raggiungere attivi in gestione per 1,1 miliardi di dollari
  - Il 3 settembre è stato lanciato l'**iShares Markit iBoxx Euro High Yield Bond (IHYG LN)**, il primo ETF a livello mondiale su questo segmento obbligazionario, che a cinque settimane dal lancio ha già raccolto più di 110 milioni di euro



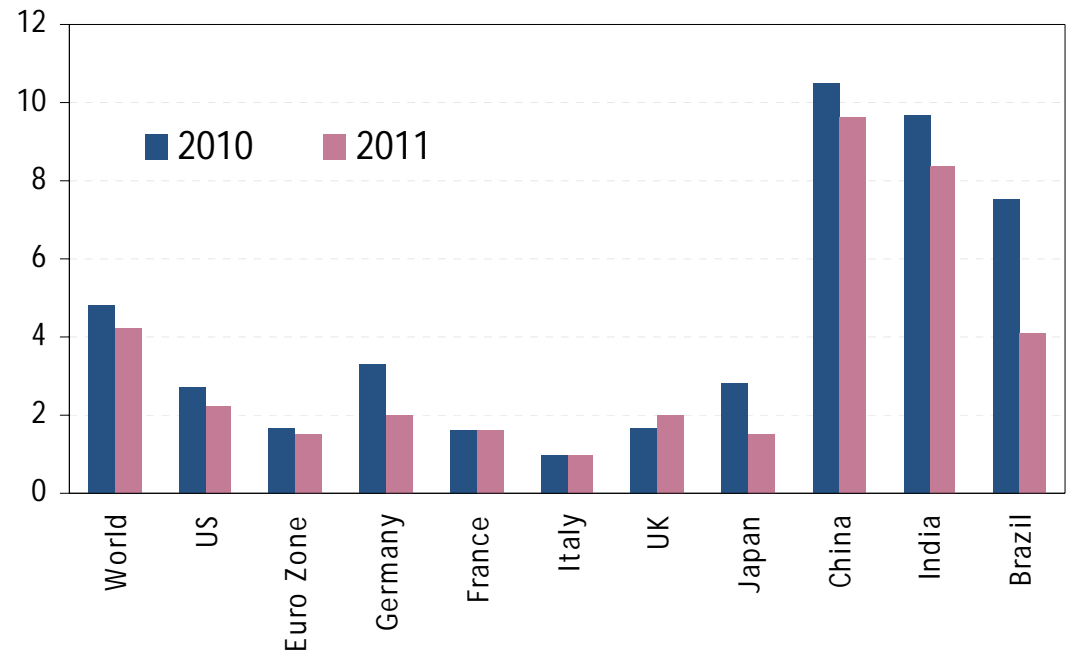
## **Il mercato obbligazionario post-crisi: la nuova era**

**Dominic Pegler – Managing Director  
Fixed Income Strategy EMEA iShares**

# Global Growth

- Low Interest rate environment looks set to continue
- Global economic recovery continues but growth is slow and unemployment in large economies remains high
- Central banks are set to embark on large-scale asset purchases to stave off deflation risks
- Economic data is mixed with manufacturing recently showing signs of improvement

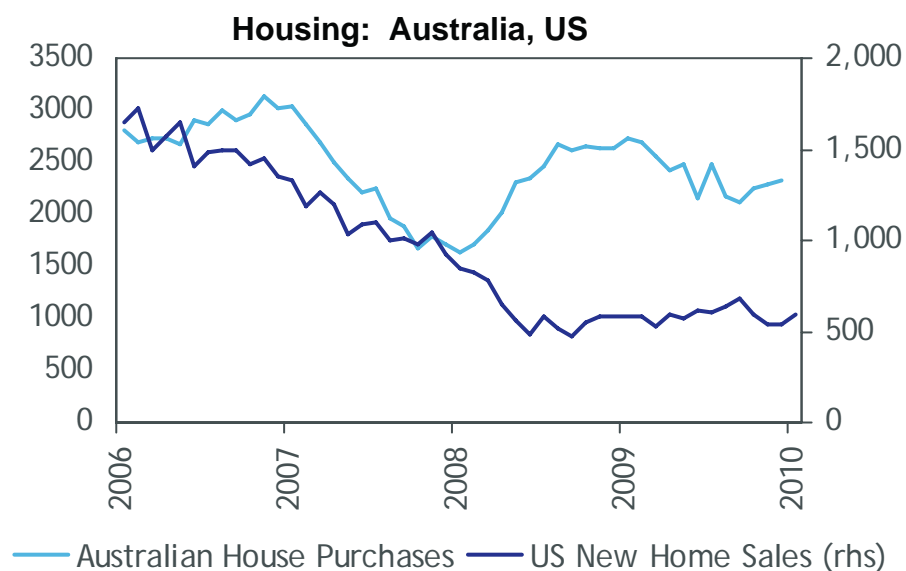
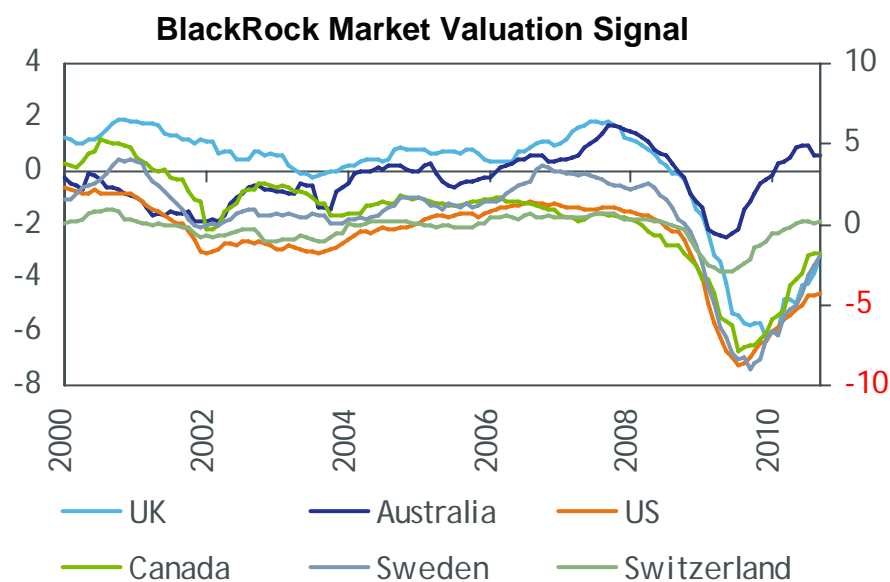
IMF World Economic Outlook Projections October 2010



Source: IMF

## Rates: Differentials in growth and inflation pressure drive country allocation

- The US output gap is projected to stay large, keeping official rates on hold and keeping alive the possibility of extra Quantitative Easing (QE) if economic momentum slows
- In contrast, countries with healthy banking and housing sectors and exposure to fast-growing regions are experiencing economic recovery, removing spare capacity
- We currently favour markets with large output gaps and moderating economic momentum: Overweight US & Japan, underweight Australia and Canada



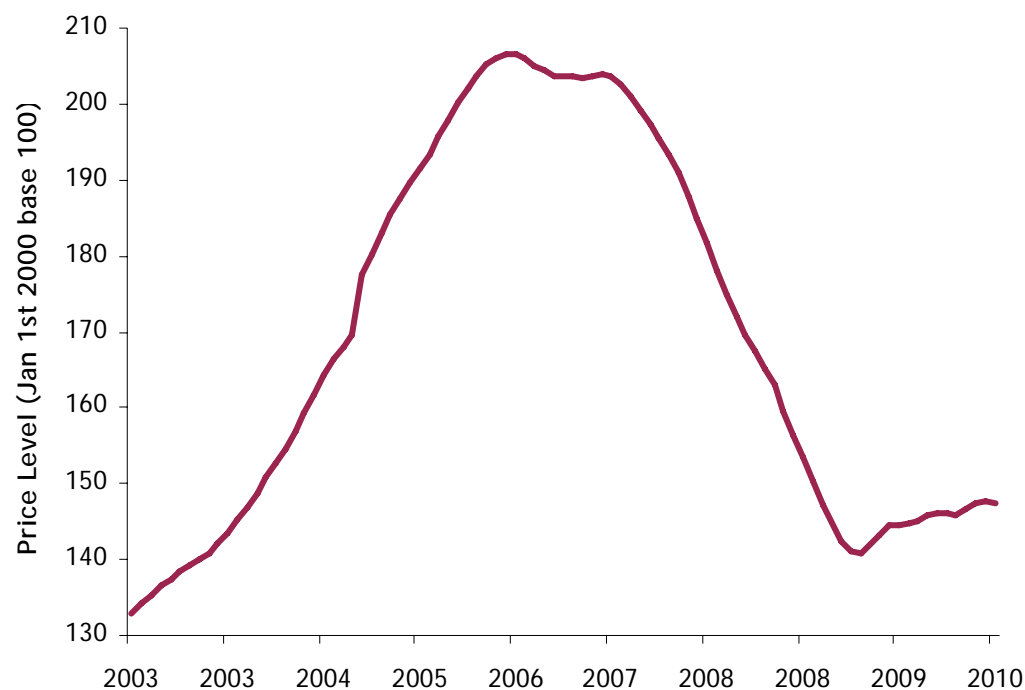
Source: BlackRock, Bloomberg

## Global Markets – US

“Measures of underlying inflation are currently at levels somewhat below those the Committee judges most consistent, over the longer run, with its mandate to promote maximum employment and price stability” -  
*FOMC 21 Sep 2010*

- Price levels in the US remain depressed with house prices currently at levels equivalent to early 2004
- One of the Fed's main concerns at present has been deflation risk and high unemployment rates above 9%
- Comments have suggested the Fed will undertake further Quantitative Easing
  - Market expects this in November

**US: S&P Case Schiller Home Price Index**

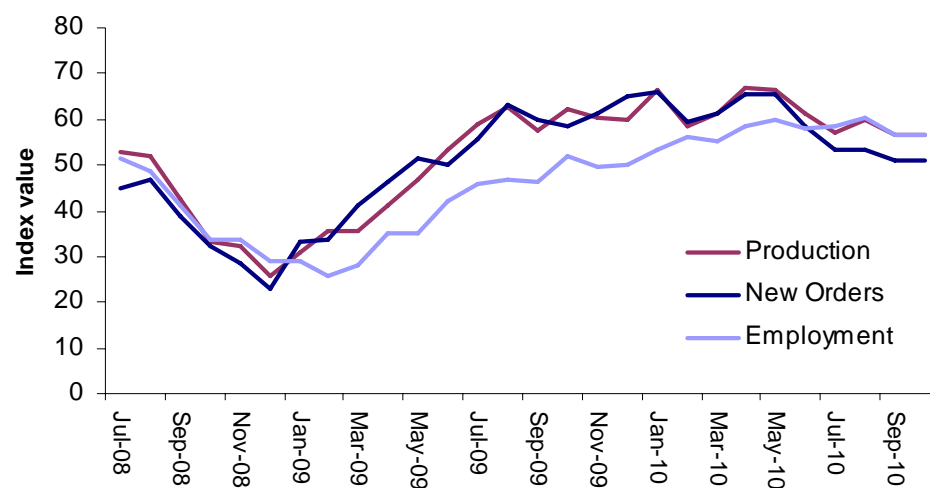


Source: Bloomberg

## Another round of Quantitative Easing – “QE2”

- Central banks have made clear their dissatisfaction with the sluggish recovery
- QE2 already set sail in Japan
  - Tick down of policy rate from 0.1% to 0.05%
  - Will purchase JGBs, corporate bonds and ETFs
- Fed and BoE to follow in November: Fed likely to move more aggressively
- ECB absent from move to QE
  - This reflects forecast that underlying inflation will move higher over the next year
- Downward pressure on currencies of those countries most committed to QE2

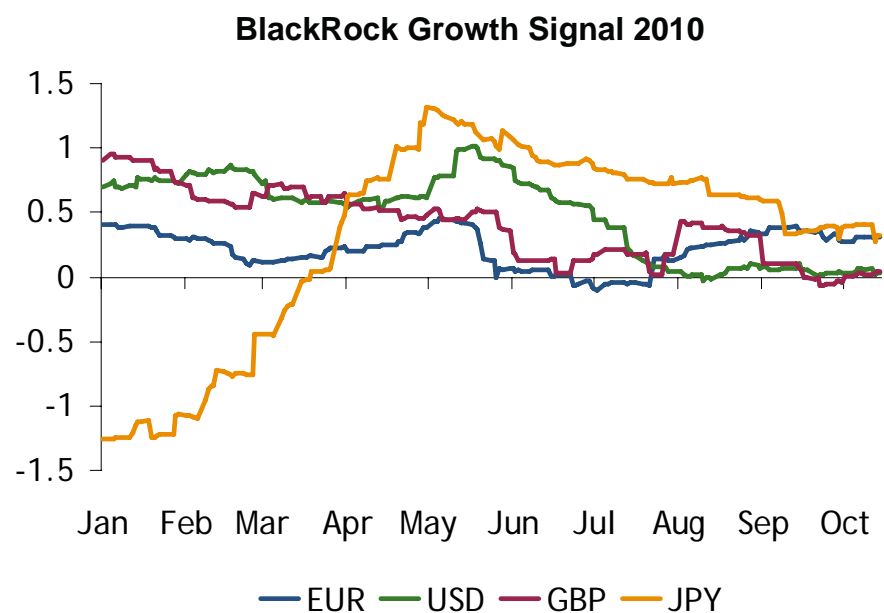
### US: ISM Manufacturing Survey



Source: Bloomberg

## Euro Zone economic growth

- German export sector has driven higher than expected growth
- Manufacturing has picked up, spurred on by weakness in the Euro, and our Leading Economic Indicators now show Europe accelerating ahead of the US, UK and Japan
- However, recent rallies in the Euro have seen the currency gain back almost all the ground lost since January

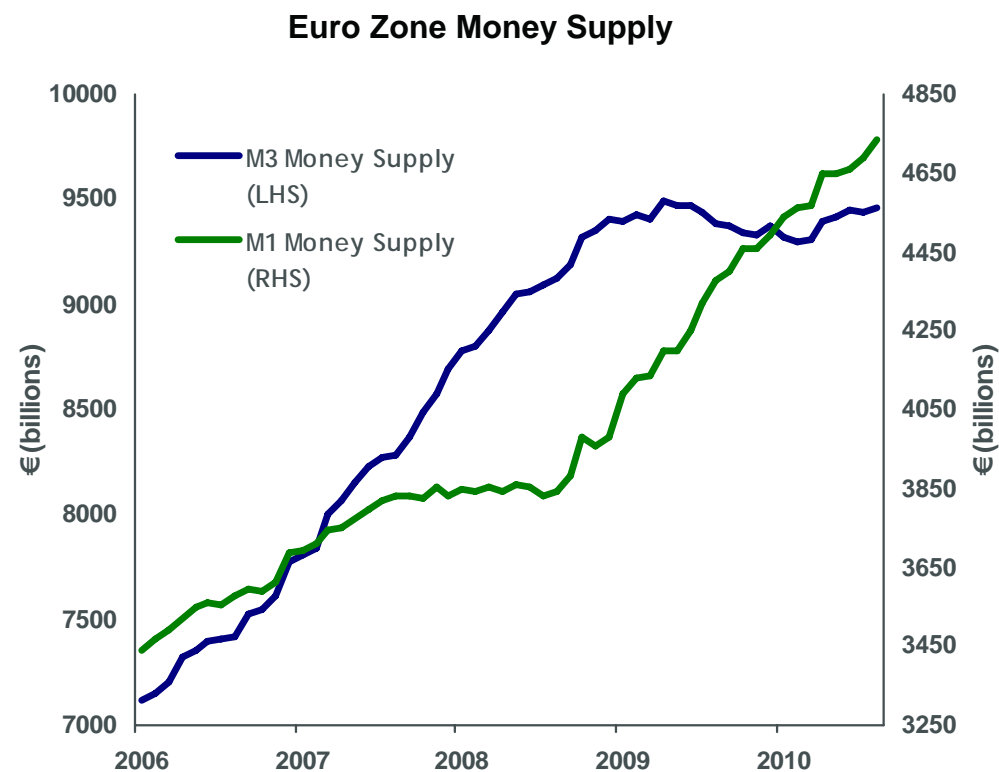


Source: BlackRock, Bloomberg

## Euro Zone – Inflation/Deflation?

Between December 2008 and July 2010, M1 has increased by 19%, the M3 measure by less than 0.6%

- Pre-2008 we see M3 growing faster than M1 as credit expansion boomed
- M1 increase represents ECB intervention and asset purchases
- However, M3 remains stunted as borrowing has contracted
- Appears banks are using the liquidity provided to bolster their balance sheets instead of lending



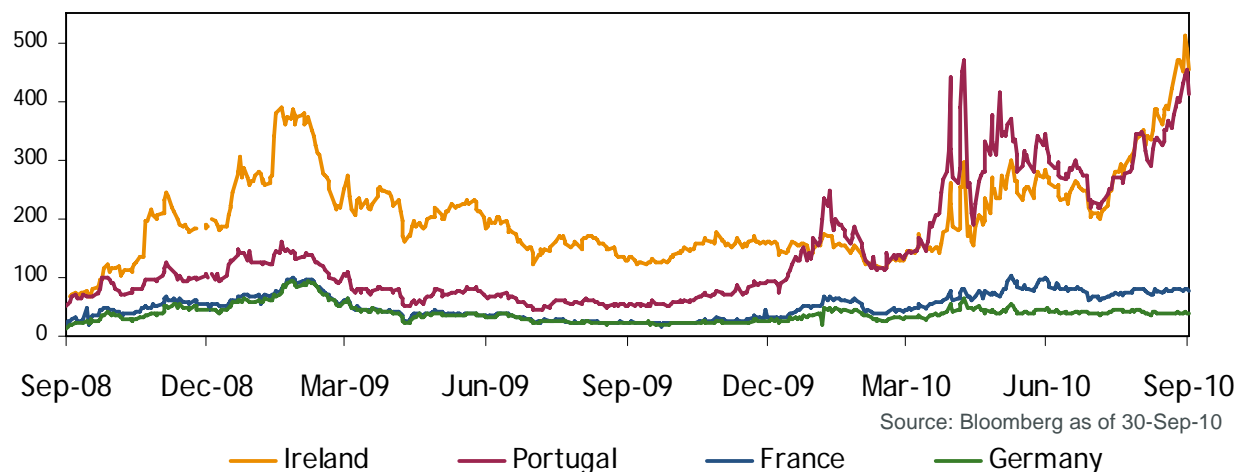
Source: Bloomberg

Inflationary risks within the EMU are limited in the long-term due to the lack of broad money growth from tighter credit conditions and reduced lending within the economy

## Euro Zone Government Bond Markets

- Growth differentials within the Euro Zone remain large.
- Large budget deficits and high levels of outstanding debt have led to divergence in government bond yields – similar to pre-EMU
- Higher volatility in interest rates creates an environment for greater opportunities for active investment

European Government 5Yr CDS Rates

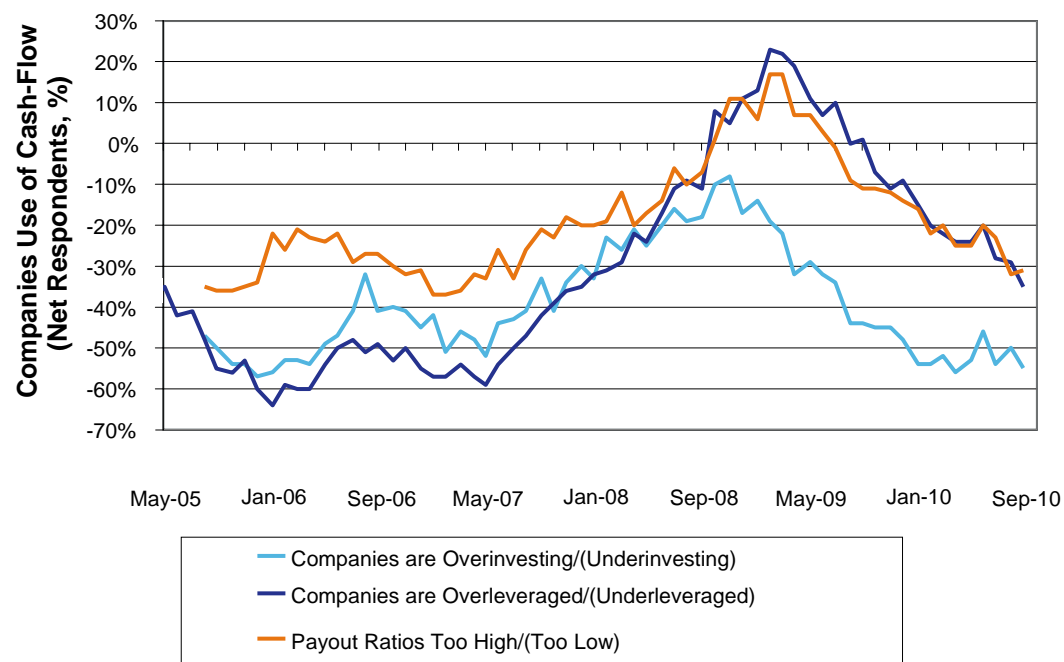


**The risk of default in non-core sovereign states may reappear at times but with the safety net provided by the EFSF (European Financial Stability Facility) default risk is limited**

## Euro Zone Corporate Bonds – Investment Grade

- Although the macroeconomic backdrop is a weak recovery, credit remains an attractive asset class
- Companies are currently opting to strengthen balance sheets rather than undertake capital expenditure
- A positive trend for credit risk

### Euro Zone Corporate sector

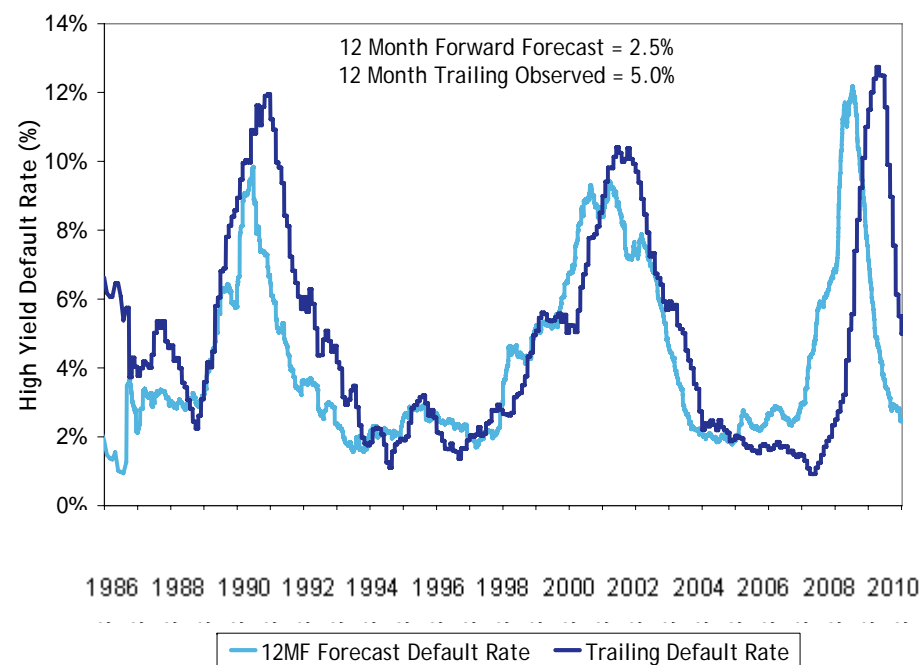


Source: BlackRock

## Euro Zone Credit – High Yield

- Spreads attractive, still higher than pre-crisis levels
- Low refinancing needs
- QE2 will make high-beta corporate more attractive by lowering government bond yields
- Continued yield-seeking inflows
- Risk remains as markets prone to bouts of risk aversion and sell-offs
- Our default forecast has resumed its downward trend; trailing default rates are decreasing at 1% per month

### Default Expectations and Observations

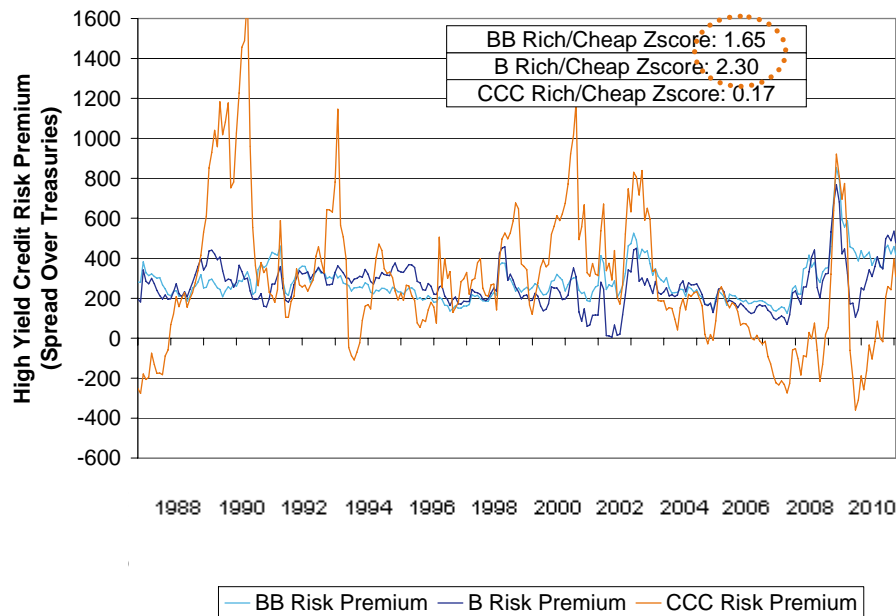


Source: BlackRock

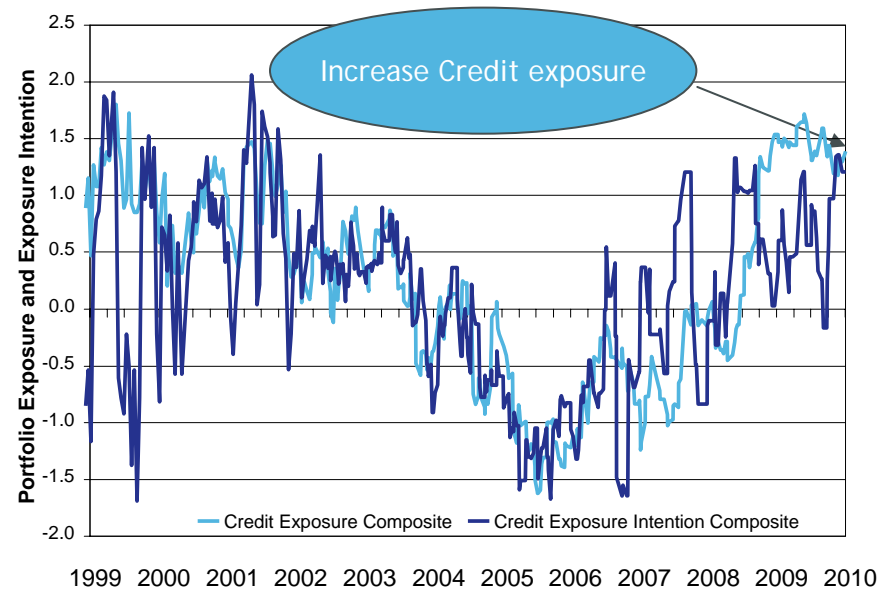
# Corporates: Valuation and technical signals continue to be supportive

- Our risk premium indicator combines spreads with expected defaults; BBs and Bs represent the sweet spot from a valuation perspective
- Institutional investors are reaching for yield; corporate credit will remain a beneficiary

### Euro High Yield: Risk Premium



### Euro Credit investors: investment intentions



Source: BlackRock

## Summary

- Weak but positive economic growth to be supported by further policy relaxation
- Euro Zone economic growth currently robust
- Volatility in intra-Euro Zone bond markets likely to remain, but protection afforded by official mechanisms limits scope for catastrophic risk
- Little short term risk of higher inflation, but potential for greater risk once economic recovery is established
- Continuing value in corporate credit, both investment and non-investment grade

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