Global Investment Banks

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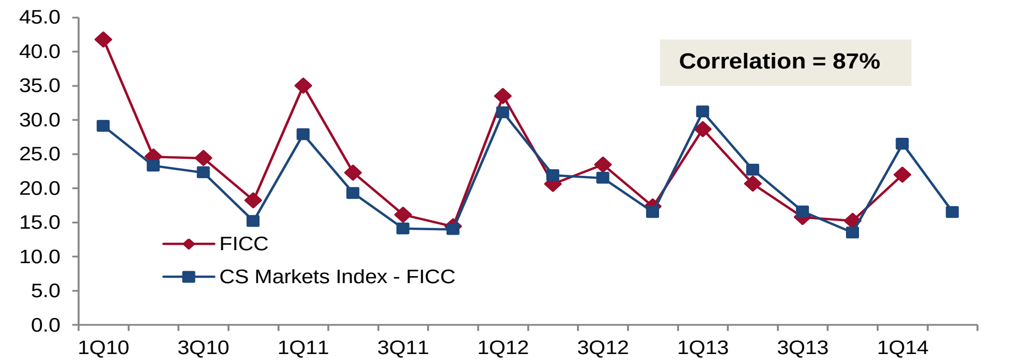
SECTOR FORECAST

CS Markets Index FICC 2Q Update

- **2Q14 FICC Update–CS Index Tracking Down 15%-20% yr/yr.** We believe revenues remain muted for fixed income trading as the operating conditions that characterized 1Q have largely persisted. While June will be critical for full quarter results, our model suggests industry revenues are tracking down between 15%-20% yr/yr, with FX trading particularly weak and commodities down from higher levels during 1Q. In addition, while we expect the Rates business to be weak on an absolute basis, we anticipate less of a pullback on yr/yr basis given weaker comparisons (recall Jun-13 was particularly challenging for dealers).

Exhibit 1: **FICC Revenues– Actual vs. CS Markets Index**
US$ in billions unless otherwise stated



Source: Company data, Credit Suisse estimates

- **2Q QTD Management Commentary.** Management teams are speaking to FICC/Markets revenues down between 10% and 25% yr/yr. **What's Driving Weakness?** We repeatedly hear historic low levels of volatility as the primary driver of revenue trends. That said, we note that our Index does not give a high weighting to the impact of volatility as historical periods of higher volatility (4Q08, 3Q11, Jun-13) have coincided with weaker revenues, thus our index may be underestimating the extent of the decline in FICC.
- **1Q14 Review.** During the first quarter, fixed income revenues for the top 10 banks totaled $23.9 Bn, down 16% yr/yr–-this was close to the mid-point of the down 13% -18% yr/yr forecast of the FICC index in March. Rates and Emerging Market drove most of the year over year decline, while Commodities revenues were higher (albeit from a lower base). By firm, MS (+9%) & BAC (-2%) outperformed peers while BARC (-37%) was a relative underperformer. All in all, we believe the significant divergence in 1Q performance illustrates that "FICC" is made up of many different businesses and firms are at different phases in the evolution of their FICC franchises.

CS Market Index - FICC Framework

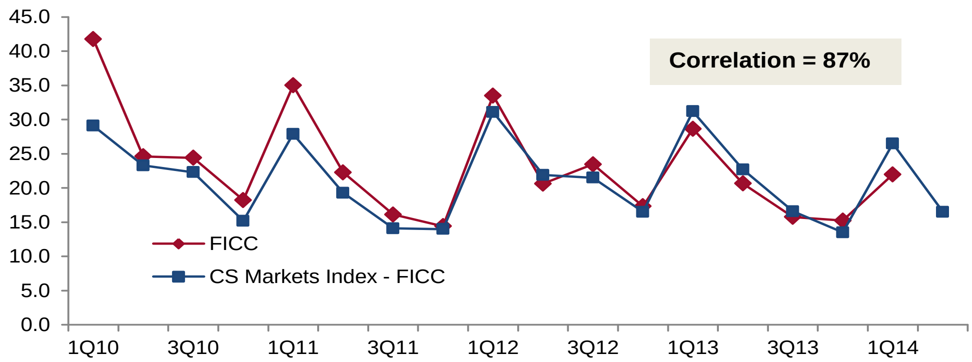
2Q14 CS Market Index Forecast

2Q14 FICC Revenues: Expect 15%-20%yr/yr Pullback

We believe revenues remain muted for fixed income trading as the operating conditions that characterized 1Q have largely persisted. While June will be critical for full quarter results, our model suggests industry revenues are tracking down between 15%-20% yr/yr, with FX trading particularly weak and commodities down from higher levels during 1Q. In addition, while we expect the Rates business to be weak on an absolute basis, we anticipate less of a pullback on yr/yr basis given weaker comparisons (recall Jun-13 was particularly challenging for dealers).

Exhibit 2: **FICC Revenues– Actual vs. CS Market Index**

US$ in billions unless otherwise stated



Source: Company data, Credit Suisse estimates

2Q14 QTD Management Commentary

Second quarter-to-date, management teams are speaking to FICC/Markets revenues down between 10% and 25% yr/yr. **What's Driving Weakness?** We repeatedly hear historic low levels of volatility as the primary driver of revenue trends. We note that the CS Market Index does not give a high weighting to the impact of volatility as historically, periods of higher volatility (4Q08, 3Q11, Jun-13) have coincided with weaker revenues, thus the index may be underestimating the extent of the decline in FICC.

See below for selected commentary on 2Q-to-date trends and drivers of the weak operating conditions:

2Q14 QTD Trends

- **JP Morgan Chase (10Q, 05/02/14).** "*Based on Markets revenue results to date, which reflect a continued challenging environment and lower client activity levels, **expect 2Q14 Markets revenue to be down approximately 20%+/- versus 2Q13**. The Markets revenue actual results will depend heavily on performance throughout the remainder of the quarter, which can be volatile.*"
- **Deutsche Bank (Capital Increase Call, 05/19/14).** "*Based on the quarter to date performance, CB&S revenues in the second quarter could be lower versus the second quarter 2013 by a similar or slightly worse amount than the year-over-year decline of the first quarter. **Fixed income revenues are largely down, quarter to date, from the prior year at a pace that's broadly similar to that of the first quarter [-10%]**, so no improvement in that trend, while equity revenues, which were up year over year in the first quarter, are now trending down versus the prior-year period.*"
- **Citigroup (CFO John Gerspach, 05/27/14).** "***Historically low volatility and uncertain global macro environment and geopolitical events have all combined***

to drive volumes lower, particularly in May*, and so this quarter's trading results could vary depending on the level of client activity we see over the next five weeks.* ***We currently expect total trading revenues for equities and fixed income to be down in the range of 20% to 25% year over year****."*

What's Driving Weak Operating Conditions?

- **Bank of America (CFO Bruce Thompson, 05/14/14).** "*I think if you look at it,* ***we have seen reasonable activities within credit sales and trading****. We have seen* ***reasonable activities within the municipal space. We have seen reasonable activity within the mortgage space after what was last year a very tough second quarter with some of the concerns over QE****. So that piece of it I think feels good. I would say that as you look at* ***the rates and FX business, there has just not been the volatility where people have looked to express a real strong view from a rates and FX perspective****. I would expect at the point in time where there starts to be more volatility and people start to have more concerns or start to see rates move up that we would start to see more activity there but it is obviously within those couple pieces of FICC been a little bit muted over the course of the last 12 to 18 months."*

- **JP Morgan (Daniel Pinto, CEO of the Corporate & Investment Bank, 05/27/14). "***Volumes really don't tell the story….* ***I think what will just tell the story to a large extent is volatility****. Volatility [in] rates is at a 10-, 15-year low, the same for FX, for credit, for equity. So very very low levels of volatility. So even though the volumes are high, or whatever they are, so the market doesn't move it's really difficult to monetize your flows, number one. And number two, it makes the market more competitive because and margins really tighten because essentially it cost you very little to provide liquidity so you provide a lot. So that's kind of the story****. Now our particular case there are a couple of more things****. One of them is [if] you look at the revenues in fixed income you have the run-of-the-mill flow business. It happens every day a bit more, a bit less, but it happens every day. And then* ***you have episodic trades, big hedges, big corporate trades, that happen along the year particularly in the first and part of the second quarter. So far the amount of those trades even though the pipeline is very healthy, they haven't happened****."*

- **Goldman Sachs (President & COO, Gary Cohn, 05/28/14).** "*As we consider headwinds, volumes in a number of our fixed income markets have been under significant pressure in 2014……. Naturally, we've been hearing a number of questions about drivers of these declines including macro factors like fiscal and monetary policy, regulation or low growth global economy. We believe all play a role. But in our day-to-day business, the most significant factors are economic in nature….while we have seen significant amount of new regulations and increased capital requirements, we firmly believe that economic fundamentals more than any other factors are responsible for the current operating environment….* ***The point is, macro factor[s] are driving reduced market volatility, which in turn weighs on volumes, bid offer spreads, risk appetite and the ability of our clients to generate alpha."***

Methodology Changes

Following the feedback we received post our original note, we made changes to model inputs that we believe better aligns the model to the economics of the businesses.

- **G10 Rates.** We switch to options implied measures of volatility and remove standard deviation based volatility measures. We also include a proxy for global balance sheets to more appropriately factor in European bank balance sheets.

- **G10 Credit.** We include Bond – CDS basis & DCM volumes and remove volatility measures.

- **Emerging Markets.** We include Emerging Market fund flows and remove volatility measures.

1Q14 Review

Industry Revenues Down 16% yr/yr In Line With CS FICC Index

During the first quarter, fixed income revenues for the top 10 banks totaled $23.9Bn, down 16% from year ago levels but up 54% from seasonally weaker fourth quarter levels—this was largely in line with the down 13%-18% yr/yr forecast by the CS FICC index in March.

Exhibit 3: FICC Industry Revenues
US$ in millions, unless otherwise stated

Core Fixed Income Sales & Trading	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14	Y/Y	Q/Q
Bank of America	$4,131	$2,555	$2,534	$1,788	$3,001	$2,259	$2,033	$2,080	$2,950	-2%	42%
Barclays	$3,792	$3,134	$2,348	$2,259	$3,216	$2,117	$1,457	$1,757	$2,036	-37%	16%
BNP Paribas	$2,343	$1,105	$1,417	$1,074	$1,699	$1,048	$1,033	$990	$1,365	-20%	38%
Citi	$4,781	$2,861	$3,739	$2,741	$4,687	$3,422	$2,838	$2,375	$3,850	-18%	62%
Credit Suisse	$2,093	$1,177	$1,495	$958	$2,142	$1,326	$905	$827	$1,669	-22%	102%
Deutsche Bank	$4,156	$2,743	$3,083	$2,085	$3,408	$2,546	$1,752	$1,623	$3,324	-2%	105%
Goldman Sachs	$3,573	$2,194	$2,449	$2,117	$3,259	$2,431	$1,294	$1,887	$2,835	-13%	50%
JPMorgan	$5,016	$3,493	$3,726	$3,177	$4,752	$4,078	$3,439	$3,199	$3,760	-21%	18%
Morgan Stanley	$2,590	$770	$1,458	$811	$1,515	$1,153	$835	$694	$1,654	9%	138%
UBS	$668	$484	$437	$329	$667	$382	$339	$330	$429	-36%	30%
Total	**$33,142**	**$20,515**	**$22,686**	**$17,339**	**$28,346**	**$20,761**	**$15,925**	**$15,762**	**$23,871**	**-16%**	**51%**

Non U.S banks data converted to USD using average FX rate in the period. DBK from 1Q13 excludes exited Special Commodities Group.
Source: Company data, Thomson Reuters, Credit Suisse estimate

Significant Divergence in Company Performance

While industry revenues were down 16% yr/yr, performance ranged from +9% to -40% yr/yr, due the differences in business mix, year-ago comparisons and franchise rationalization at some firms. Specifically, at one extreme Barclays was down 37% yr/yr (on a USD basis)—management spoke to business mix, repositioning of businesses and strong 1Q13 performance driving trends—and at the other end of the spectrum, Morgan Stanley was up 9% driven by weaker year ago results and strength in its commodities business. All in all we believe 1Q performance illustrates that "FICC" is made up of many different businesses and firms are in different stages of rationalizing their FICC franchises.

Exhibit 4: FICC – Industry League Table
US$ in billions, unless otherwise stated

	Firm	2011	2012	2013	2014 YTD	2011	2012	2013	2014 YTD	2011	2012	2013	2014 YTD
1	Citi	$10.9	$14.1	$13.3	$3.9	12%	15%	17%	16%	3	2	2	1
2	JPMorgan	$14.8	$15.4	$15.5	$3.8	17%	16%	19%	16%	1	1	1	2
3	Deutsche Bank	$13.0	$12.6	$9.0	$3.3	15%	13%	11%	14%	2	3	4	3
4	Bank of America	$8.1	$11.0	$9.4	$3.0	9%	12%	12%	12%	6	5	3	4
5	Goldman Sachs	$8.6	$10.3	$8.9	$2.8	10%	11%	11%	12%	5	6	5	5
6	Barclays	$10.3	$11.5	$8.7	$2.0	12%	12%	11%	9%	4	4	6	6
7	Credit Suisse	$4.3	$5.7	$5.2	$1.7	5%	6%	6%	7%	10	8	7	7
8	Morgan Stanley	$6.4	$5.6	$4.2	$1.7	7%	6%	5%	7%	7	9	9	8
9	BNP Paribas	$6.1	$5.9	$4.8	$1.4	7%	6%	6%	6%	8	7	8	9
10	UBS	$5.4	$1.9	$1.7	$0.4	6%	2%	2%	2%	9	10	10	10
	Top 3 Share					**44%**	**45%**	**47%**	**46%**				
	Total	**$87.8**	**$94.2**	**$80.7**	**$23.9**								

Note 1. Top 3 players highlighted in green. Based on reported trading revenues adjusted for DVA/CVA and other one-time items. Market share relates to Top 10 players and may not be comparable over time due to changes in disclosure at various firms. UBS pre-2012 revenues relates to pre-"strategy acceleration" business mix. Source: Company data, Credit Suisse estimates

Exhibit 5: U.S. Banks 1Q14 FICC Commentary

U.S. Banks	Rates	Credit	FX	Securitization / Mortgages	Emerging Market	Commodities	Other	Total FICC	Total FICC Core Revs ($ mil)	Total FICC Yr/Yr	Total FICC Qtr/Qtr
Goldman Sachs	Significantly lower net revenues in interest rate products.	Lower net revenues in credit products.	Significantly lower net revenues in currencies.	Significantly lower net revenues in mortgages.		Significantly higher net revenues in commodities	Swap execution facilities now up and running, still relatively new, so a bit early to tell; but at this stage, really no significant impact in the marketplace.	"The take away from the FICC business is, really, given the market backdrop we had where sentiment was fluctuating, we had concerns about Asia growth and then political events, I think it really reinforces that if you are going to be in these businesses, you really need the diversification."	$2,835	-13%	50%
Morgan Stanley	"It was down year over year, reflecting lower volumes but up nicely versus last quarter. We are really focused on this centralized or federalized resource management across all of the macro product but it was a tougher part of the market."	Solid results in credit and securitized products, despite lower volumes across most fixed income businesses.		Solid results in credit and securitized products, despite lower volumes across most fixed income businesses.		Commodities had broad-based strength across the energy complex, driven by extreme weather in North America and increased client demands.	"….in terms of, the impact of SEFs on the market, we really think the lower volumes last quarter were related to broader market events……..it's very tough to disaggregate the extent to which, if at all, that was really SEF related".		$1,654	9%	138%
Bank of America	Experienced yr/yr declines driven by lower market volumes and volatility	"Loans, high-grade bond trading or high-yield bond trading, given market activity levels as well as our position from an underwriting perspective, were very strong during the quarter"	Experienced yr/yr declines driven by lower market volumes and volatility					Results were down 15% yr/yr after adjusting for a monoline write-down incurred in 1Q13	$2,950	-2%	42%
Citi			Fixed income YoY reflected an uncertain global macro environment and strong 1Q'13 performance in securitized products and local markets rates and currencies	Fixed income YoY reflected an uncertain global macro environment and strong 1Q'13 performance in securitized products and local markets rates and currencies	Fixed income YoY reflected an uncertain global macro environment and strong 1Q'13 performance in securitized products and local markets rates and currencies			Overall FICC industry revenues could decline 5-10% in 2014:	$3,850	-18%	62%
JPMorgan							"There is a limited amount of volume on SEF right now, albeit increasing, and there's been margin compression, but from tight margins to start with"		$3,760	-21%	18%

Revenues in USD million. Source: Company data, Credit Suisse estimates

Exhibit 6: European Banks 1Q14 FICC Commentary

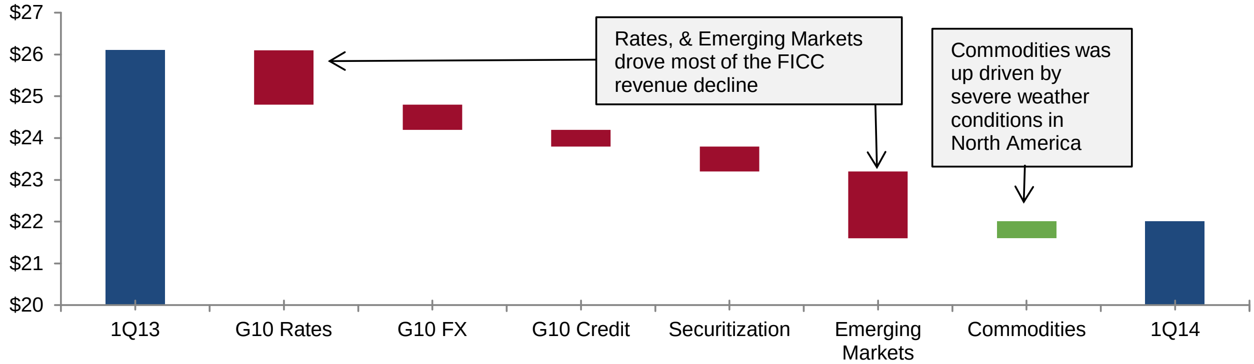
European Banks	Rates	Credit	FX	Securitization / Mortgages	Emerging Market	Commodities	Other	Total FICC	Total FICC Revs ($ mil)	Yr/Yr	Qtr/Qtr
Credit Suisse	Significantly lower yr/yr performance	"Higher results and improved market share in Credit franchise driven by robust Leveraged Finance origination and sustained secondary revenues"		Strong Securitized Products performance reflecting high quality revenue stream diversified across secondary, origination, products and regions Higher revenues in non-agency, mortgage servicing"	Significantly lower results due to weaker trading performance			Stable and low rate environment encouraging investors towards yield products 'Less pronounced first quarter seasonality in Macro revenues driven by structural industry changes and uncertainty around market direction	**$1,669**	**-22%**	**102%**
Deutsche Bank	Core Rates revenues higher yr/yr driven by strong performance in EMEA reflecting improved client activity	Flow Credit revenues higher yr/yr, driven by strength in distressed products Credit Solutions revenues lower yr/yr reflecting lower margins in Commercial Real Estate business and lower revenues in Asia	FX revenues significantly lower yr/yr driven by lower client activity and a difficult trading environment		EM Debt revenues lower yr/yr reflecting outflows from EM assets due to a perceived increase in EM risk	--Exiting commodities businesses (energy, agriculture, base metals and dry bulk) --Residual exposures materially lower by end 2015 --Loss of ~EUR200m, primarily due to US power exposures		Market share relatively unchanged. Including the exited commodities business, the decrease would have been down 16% yr/yr.	**$3,334**	**-7%**	**141%**
UBS									**$429**	**-36%**	**30%**
Barclays	Have been heavily geared towards macro products, which have performed least well .		Have been heavily geared towards macro products, which have performed least well .			Have been shrinking commodities footprint, which other banks have noted performed strongly		Annual decrease driven by business mix repositioning of businesses and strong 1Q13 performance "Repositioning was about 10 percentage points; FX was another 5%; currency was a few %" Adverse currency moves. Sterling strengthened	**$2,036**	**-37%**	**16%**
BNP Paribas	Low activity in the rates and forex businesses and in emerging markets	Good performance in the credit markets	Low activity in the rates and forex businesses and in emerging markets		Low activity in the rates and forex businesses and in emerging markets				**$1,365**	**-20%**	**38%**

Revenues in USD million. Source: Company data, Credit Suisse estimates

1Q14 Decline Driven by Rates & Emerging Markets; Strength in Commodities

Based on coalition data, Rates and Emerging Market drove most of the year over year decline, while commodities revenues were higher.

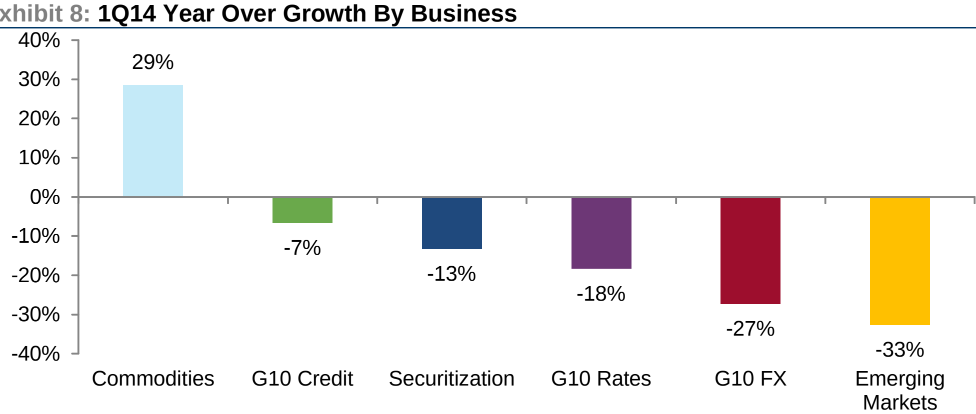
Exhibit 7: FICC Industry Revenues 1Q14 vs. 1Q13
US$ in billions, unless otherwise stated



Source: Coalition index, Credit Suisse estimates

- **G10 Rates (down 18% yr/yr).** We attribute the decline to continued rationalization of Rates business across the Street (demonstrated by declining balance sheets) and a lack of volatility in rates market driving muted activity levels.
- **Emerging Markets (down 33% yr/yr).** We believe the decline in revenues here were in sync with macro volatility across Central & Eastern European and Latin American markets drove challenging client facilitation and less financing opportunities.
- **Commodities (up 29% yr/yr).** Revenues increase here were largely due to the cold weather in North America driving up Natural Gas price volatility and demand for hedging and activity levels. That said revenues remain depressed relative to historic levels.

Exhibit 8: 1Q14 Year Over Growth By Business



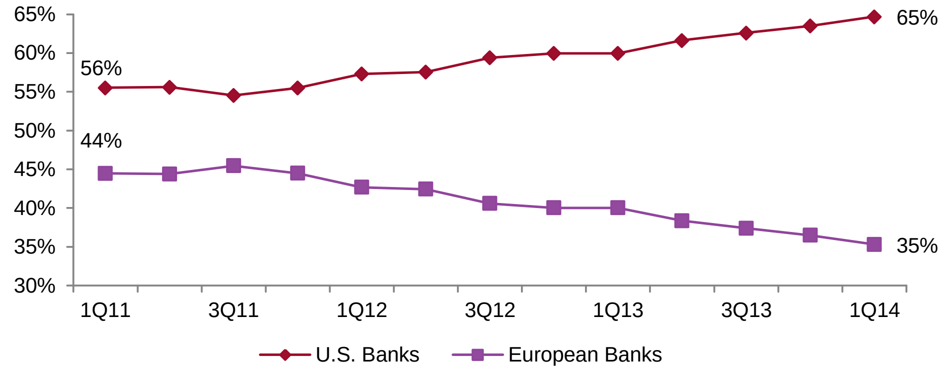
Source: Company data, Credit Suisse estimates

U.S. Banks Continued To Gain Share vs. Europeans

Over the last 3 years JP Morgan and Citi have been share gainers as the overall industry revenue pool has declined. The European banks have largely lost market share as weaker macro conditions in Europe have been exacerbated by efforts to restructure business models in light of the evolving regulatory landscape and relatively lower capital ratios. During the first quarter of 2014, share shifts continued. Specifically, European banks FICC market share is now 35% down from 43% in 2010.

Exhibit 9: U.S. Banks Gaining FICC Market Share

Rolling 4 Qtr FICC market share



Based on reported core fixed income revenues of the top 10 players. Sources: Company data, Credit Suisse estimates

Business By Business Snapshot

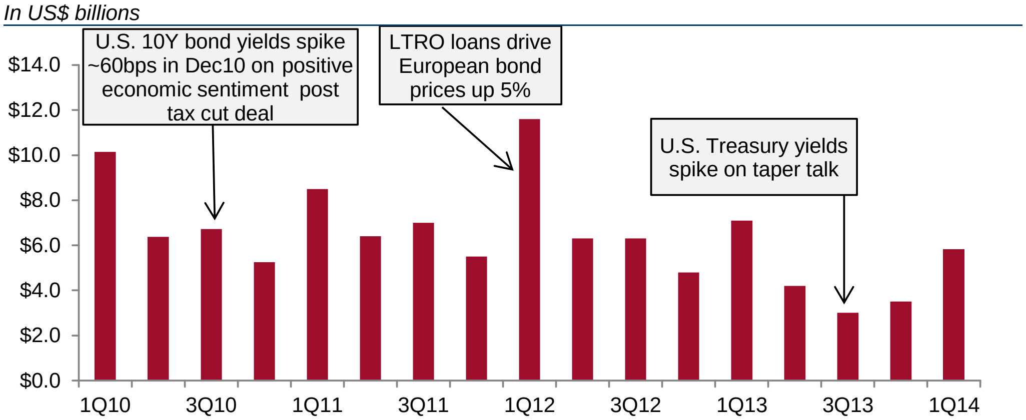
G10 Rates

What Are G10 Rates?

Based on Coalition Index product taxonomy, G10 rates comprise trading in Government Bonds, Swaps, Vanilla Options, Short Term Interest Rates/Money Markets, Repurchase Agreements, Exotic & Structured, Municipal Finance.

Exhibit 10: G10 Rate Revenues

In US$ billions



Source: Coalition Index, Credit Suisse estimates

2Q14 G10 Rates Revenue Forecast: Down Modestly from Year Ago Levels

Our model indicates G10 Rates revenues could be fairly stable from year ago levels. **Why?** Easier comparisons, recall June 2013 was particularly weak post Taper talk.

Our proxies for volumes across cash & derivatives also suggest activity levels continue to be weak so far in the second quarter while volatility remains mixed. That said we see signs that there could be divergence by region. Specifically, in contrast to the lack of clear economic picture and range bound yields in the U.S., Europe appears to be more active with yields in peripheral Europe benefiting from talk of ECB quantitative easing (Portugal and Greece are back in the debt markets) while strengthening UK economic performance are spurring chatter that the Bank of England could be the first major central bank to rate hikes (market expectation of 4Q14/1Q15).

2Q14 Trends–Volumes & Balance Sheet Lower

Second quarter-to-date, volume trends are generally weaker, balance sheet down again while asset prices are modestly higher. Specifically, U.S. Treasuries & Fed Agencies average daily volumes are down -15% and -5% yr/yr respectively, dealer balance sheet positions in U.S. Treasuries are down 63% yr/yr while Fed Agencies are down 35%. Overall global government bond prices are modestly higher with Europe the best performing region.

Exhibit 11: G10 Rates Drivers

G10 Rates	2Q13	3Q13	4Q13	1Q14	2Q14	Yr/Yr	Qtr/Qtr
Global Govt Bond Indicies							
U.S Treasury Index	104.0	103.3	101.9	102.7	103.6	-0.4%	0.8%
EU Government Index	109.6	109.4	109.9	113.2	114.1	4.0%	0.8%
U.K Treasury Index	114.0	112.7	110.2	111.4	112.7	-1.1%	1.2%
Japan Government Index	104.2	105.9	105.7	106.2	106.4	2.1%	0.2%
Global Government Index	**106.9**	**107.0**	**106.4**	**108.1**	**108.8**	**1.8%**	**0.7%**
Volumes							
U.S. Treasuries ADV ($ mil)	568,126	523,327	520,220	519,076	481,865	-15%	-7%
Federal Agencies ADV ($ mil)	41,921	33,844	34,992	34,048	39,990	-5%	17%
European Interest Rate Futures	4,737	3,750	3,545	4,028	3,148	1%	-22%
U.S. Interest Rate Futures	6,814	5,839	5,273	6,725	5,923	-13%	-12%
Interest Rate Futures ADV ('000)	11,551	9,589	8,819	10,753	9,071	-21%	-16%
Interest Rate Cleared OTC ADV ($ Bn)	1,957	1,721	1,849	2,617	2,014	3%	-23%
Volatility							
MOVE Index	66.9%	88.3%	67.3%	61.9%	59.1%	-12%	-5%
Balance Sheet / Positioning							
Primary Dealer U.S. Gov't Position ($ mil)	101,880	98,327	98,566	51,465	37,270	-63%	-28%
Primary Dealer Federal Agencies Position ($ mil)	52,813	30,151	32,597	27,286	34,167	-35%	25%

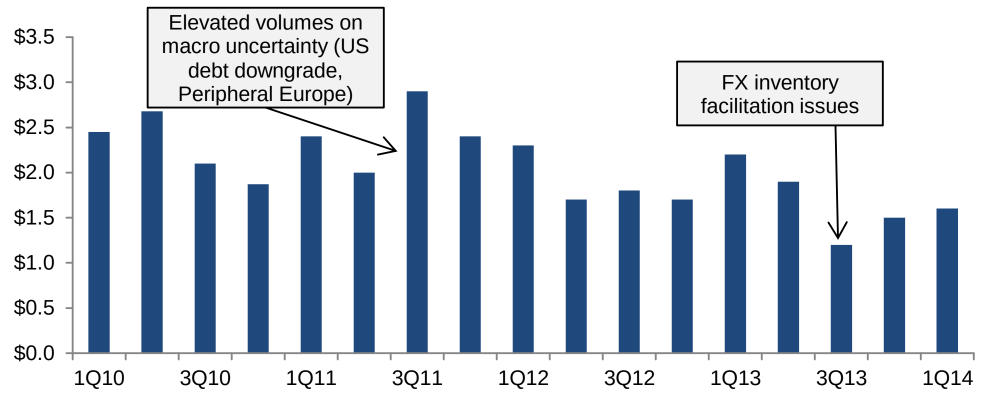
Source: Factset, NY Fed, CS Fixed Income Research, LCH, ICE, CME, Eurex, ICE, SNL, Form Y-9C, Credit Suisse estimates

G10 FX

What is G10 FX?

Based on Coalition Index product taxonomy, G10 FX includes Spot; Forwards; Options trading on developed market currencies.

Exhibit 12: G10 FX Revenues
In US$ billions



Source: Coalition Index, Credit Suisse estimates

2Q14 G10 FX Forecast: Down Significantly from Year Ago Levels

Our model indicates G10 FX revenues could be down significantly from year ago level, with meaningfully lower volumes and volatility across the major drivers of the model. We believe, similar to G10 Rates, the lack of clear macro direction and less in the way of Yen volumes have affected trends. In addition we believe that probes by regulators into irregularities within FX markets that have led to the suspension of various senior traders could also dampen revenue generation.

2Q14 Trends–Volumes & Volatility Lower

Second quarter-to-date, both volume & volatility trends are weaker. Specifically, FX Futures average daily volumes are down 48% yr/yr (although OTC volumes as measured by CLS are relatively better). Volatility is also lower with CVIX down 34% from year ago levels.

Exhibit 13: G10 FX Drivers

G10 FX	2Q13	3Q13	4Q13	1Q14	2Q14	Yr/Yr	Qtr/Qtr
Volumes							
FX Futures ADV ('000)	1,084	828	730	844	568	-48%	-33%
Spot (ADV $ Bn)	$914	$779	$796	$862	$765	-16%	-11%
FX Swap (ADV $ Bn)	$803	$789	$806	$873	$796	-1%	-9%
Outright Forward (ADV $ Bn)	$226	$207	$238	$239	$234	4%	-2%
Total CLS Volumes	$1,942	$1,775	$1,840	$1,974	$1,795	-8%	-9%
Volatility							
CVIX	9.4	9.2	8.0	7.6	6.2	-34%	-19%

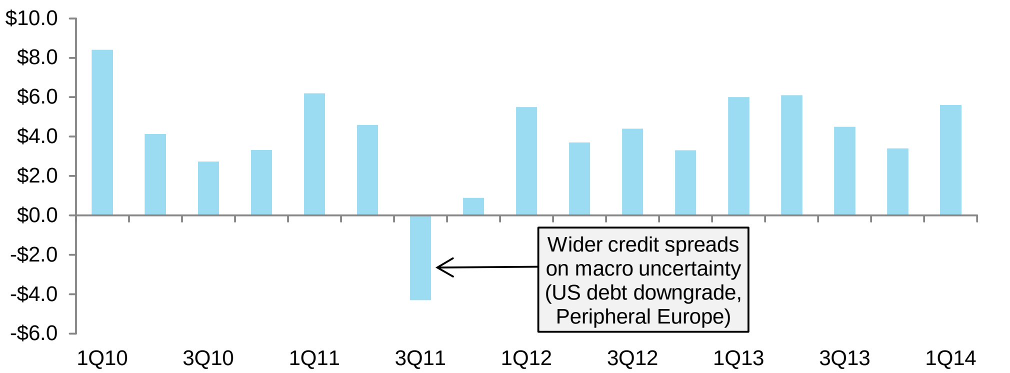
Source: CME, ICE, CLS, Bloomberg, Credit Suisse estimates

G10 Credit

What Is G10 Credit?

Based on Coalition Index product taxonomy, G10 Credit comprise trading in Investment Grade; High Yield & Distressed; Exotic & Structured bonds as well as Loans.

Exhibit 14: G10 Credit Revenues
In US$ billions



Source: Coalition Index, Credit Suisse estimates

2Q14 G10 Credit Forecast: Down from Elevated Year Ago Levels

Our model indicates G10 Credit revenues to be down from elevated year-ago levels, with lower trading volumes and lower dealer balance sheets the main driver of the model.

2Q14 Trends–Asset Prices Stable, Volumes & Inventory Lower

Second quarter-to-date, asset prices are largely stable. With that said, primary dealer holdings of corporate bonds are down from recent levels and trading volumes lower than year ago levels—IG corporate bond volumes down 4% yr/yr and HY volumes down 6%.

Exhibit 15: G10 Credit Drivers

G10 Credit	2Q13	3Q13	4Q13	1Q14	2Q14	Yr/Yr	Qtr/Qtr
Bond Prices							
AAA Corporates	108	106	106	107	107	-1%	0%
BBB Corporates	107	107	108	110	111	4%	1%
Leveraged Loans	98	98	99	99	98	1%	0%
High Yield Debt (as a % of par)	101%	102%	103%	104%	104%	3%	0%
Volumes							
IG Corp Bond	13.1	11.9	12.4	14.6	12.6	-4%	-14%
HY Corp Bond	4.5	3.5	4.0	4.4	4.3	-6%	-3%
Total Corp Bond ADV ($ Bn)	17.7	15.4	16.3	19.0	16.9	-5%	-11%
Cleared CDS ADV ($ Bn)	52.3	40.8	39.0	57.1	45.7	-13%	-20%
Balance Sheet / Positioning							
Primary Dealer Corp. Bond Position ($ mil)	33,611	28,088	37,175	37,266	33,625	0%	-10%

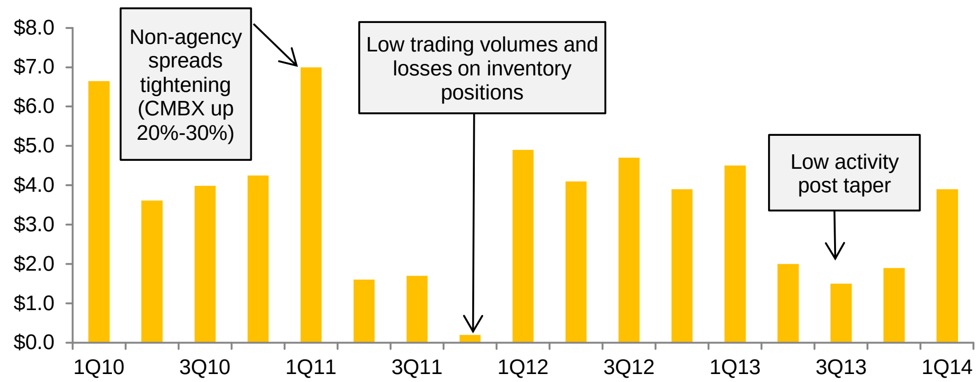
Source: TRACE, ICE, NY Fed, CS Fixed Income Research, Bloomberg, Credit Suisse estimates

Securitization

What Is Securitization?

Based on Coalition Index product taxonomy, Securitization comprise trading in Asset Backed Securities; Commercial & Residential Mortgage Securities.

Exhibit 16: Securitization Revenues
In US$ billions



Source: Coalition Index, Credit Suisse estimates

2Q14 Securitization Forecast: Down Significantly yr/yr

Our model indicates securitization revenues are down significantly from year ago level, with weaker volumes the main driver.

2Q14 Trends–Asset Stable and Volumes Lower

Second quarter-to-date, asset prices are stable to modestly higher. Volumes are overall down 30% yr/yr (non-agency are performing agency volume) while primary dealer mortgage positions continue to drift lower.

Exhibit 17: Securitization Drivers

Securitization	2Q13	3Q13	4Q13	1Q14	2Q14	Yr/Yr	Qtr/Qtr
Asset Prices							
Residential Real Estate							
AAA Alt-A	72	71	74	75	75	5%	1%
Non-Agency Prime	90	86	88	91	91	1%	0%
Commercial Real Estate							
CMBX Average	0.42	0.42	0.43	0.46	0.46	10%	0%
Agency MBS							
CS Mortgage Index	104.5	104.5	103.0	103.9	105.2	1%	1%
Volumes							
Agency Volumes ADV ($ mil)	255,075	203,580	171,781	170,832	175,679	-31%	3%
ABS	949	1,063	848	1,149	1,192	26%	4%
CMBS	4,883	3,419	3,434	4,041	3,896	-20%	-4%
Other	356	227	260	353	198	-44%	-44%
Non-Agency Volumes ADV ($ mil)	6,189	4,709	4,542	5,544	5,286	-15%	-5%
Total Structured Finance Volumes	267,452	212,998	180,865	181,919	186,251	-30%	2%
Balance Sheet / Positioning							
Primary Dealer Mortgage Backed Position ($ mil)	108,554	86,627	88,132	91,553	85,036	-22%	-7%

Source: NY Fed, CS Fixed Income Research, Markit, Bloomberg, Credit Fixed Income Research.

Emerging Market

What Is Emerging Market?

Based on Coalition Index product taxonomy, Emerging Markets comprise trading in Credit, Rates and Foreign Exchange products of non–G10 countries.

Exhibit 18: **Emerging Market**
In US$ billions

Source: Coalition Index, Credit Suisse estimates

2Q14 Emerging Market Forecast: Down Modestly yr/yr

Our model indicates EM revenues could remain muted and down modestly from year ago level as still weak risk appetite is partially offset by higher asset prices.

2Q14 Trends–Asset Prices Higher But Fund Flows Weaker

Second quarter-to-date asset prices are mostly higher relative to last quarter. That said, we expect fund flows to remain weak, although up from very weak 1Q levels.

Exhibit 19: **Emerging Market Drivers**

Emerging Markets	2Q13	3Q13	4Q13	1Q14	2Q14	Yr/Yr	Qtr/Qtr
Equity Prices							
MSCI Far East	2,745	2,911	2,973	2,802	2,813	2%	0%
MSCI Latin America	3,187	3,303	3,201	3,194	3,331	5%	4%
Bond Prices							
Eastern Europe Corporate Index	107	102	103	101	99	-7%	-1%
Latin American Corporate Index	105	98	98	98	100	-5%	2%
Middle East and Africa Corporate Index	108	104	105	105	106	-2%	1%
Fund Flows							
Emerging Market Mutual Fund Flows ($ mil)	8,377	4,033	5,683	3	NA	NA	NA

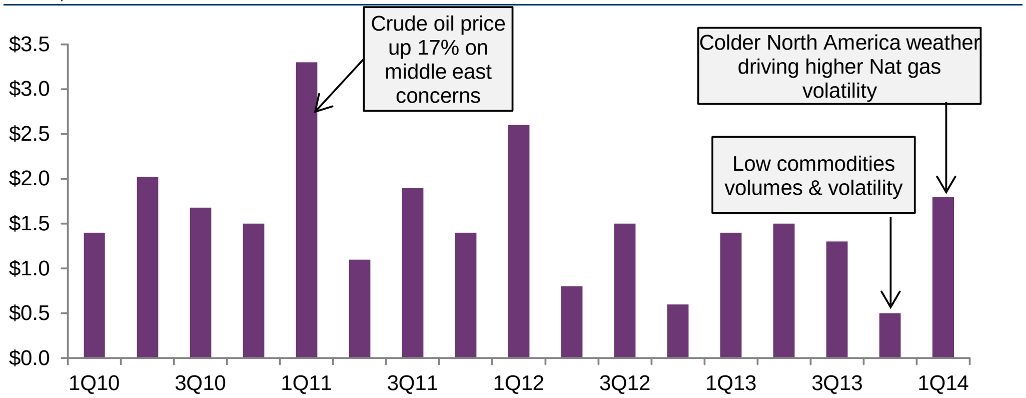
Source: Thomson Reuters, Credit Suisse Fixed Income Research

Commodities

What Are Commodities?

Based on Coalition Index product taxonomy, Commodities comprise trading in Power & Gas, Oil, Metals, Coal and Agricultural products.

Exhibit 20: Commodities Revenues
In US$ billions



Source: Coalition Index, Credit Suisse estimates

2Q14 Commodities Forecast: Up from Last Year; Down from 1Q Levels

Our model indicates Commodities revenues are modestly higher than from year ago levels although down from first quarter level—recall 1Q trends were driven by the colder weather in North America driving up Natural Gas price volatility and activity levels.

2Q14 Trends–Asset Prices Higher While Volumes Higher

Second quarter-to-date, asset prices are mostly higher relative to last quarter, while volumes are mostly lower. Volatility has decreased significantly from 1Q levels, most notably in Natural Gas.

Exhibit 21: Commodities Drivers

Commodities	2Q13	3Q13	4Q13	1Q14	2Q14	Yr/Yr	Qtr/Qtr
Asset Prices							
S&P GS Commodity Index	611	632	632	649	658	8%	1%
Crude Oil	$96	$102	$98	$102	$105	9%	3%
Natural Gas	$3.57	$3.49	$4.34	$4.47	$4.38	23%	-2%
Gold	$1,301	$1,301	$1,301	$1,301	$1,301	0%	0%
Volumes							
Commodities Futures ADV ('000)	2,663	2,313	2,209	2,497	2,175	-18%	-13%
Energy Futures ADV ('000)	4,163	3,658	3,964	4,387	3,795	-9%	-13%
Volatility							
WTI	21%	21%	16%	17%	15%	-27%	-10%
Natural Gas	35%	28%	28%	67%	31%	-10%	-53%
Gold	26%	22%	19%	14%	13%	-50%	-12%

ADV = Average Daily Volumes. Source: Thomson Reuters, CME, ICE, Credit Suisse estimates

CREDIT SUISSE

Companies Mentioned *(Price as of 28-May-2014)*

BNP Paribas (BNPP.PA, €53.06)
Bank of America Corp. (BAC.N, $15.14)
Barclays (BARC.L, 245.35p)
Citigroup Inc. (C.N, $47.32)
Credt Suisse Grp (CSGN.VX, SFr27.04)
Deutsche Bank (DBKGn.F, €30.29)
Goldman Sachs Group, Inc. (GS.N, $161.19)
JPMorgan Chase & Co. (JPM.N, $55.45)
Morgan Stanley (MS.N, $30.93)
UBS (UBSN.VX, SFr18.25)

Disclosure Appendix

Important Global Disclosures

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DBKGn.F Date	Closing Price (€)	Target Price (€)	Rating
15-Sep-11	25.09	40.00	O
19-Oct-11	27.18	35.00	
20-Dec-11	28.62	33.50	
31-Jan-12	32.62		*
02-Feb-12	33.73	33.50	O
03-Apr-12	36.42	43.40	
13-Jun-12	28.16	43.40	N
12-Jul-12	26.15	35.40	
01-Aug-12	24.59	30.00	
17-Sep-12	34.00	27.00	U
15-Jan-13	36.80	29.00	
19-Feb-13	36.49	32.00	
30-Apr-13	34.89	35.00	N
10-Jul-13	33.13	37.00	O
07-Aug-13	33.55	38.00	
24-Sep-13	35.53	41.00	
26-Mar-14	32.16	40.00	

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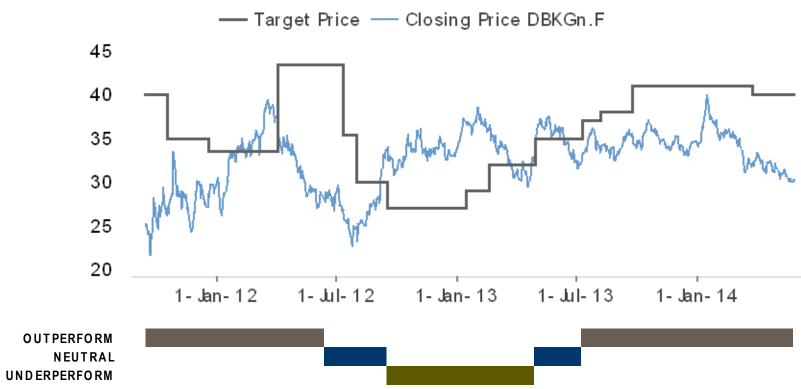
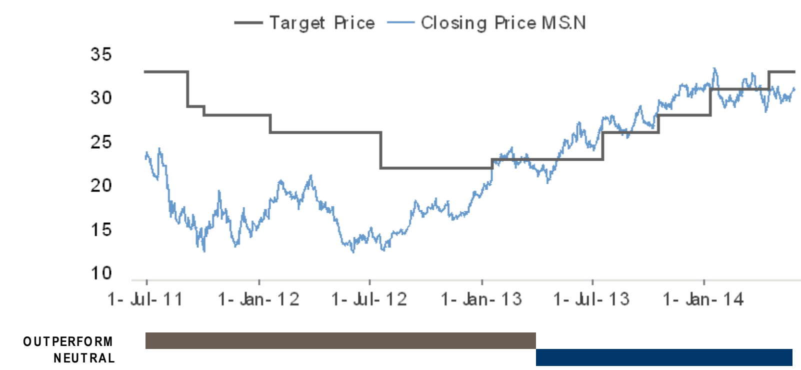


3-Year Price and Rating History for Morgan Stanley (MS.N)

MS.N Date	Closing Price (US$)	Target Price (US$)	Rating
29-Jun-11	23.39	33.00	O
06-Sep-11	15.33	29.00	
03-Oct-11	12.47	28.00	
19-Jan-12	18.28	26.00	
19-Jul-12	13.25	22.00	
18-Jan-13	22.38	23.00	
02-Apr-13	21.70	23.00	N
18-Jul-13	27.70	26.00	
18-Oct-13	29.69	28.00	
09-Dec-13	30.39	28.00	*
10-Jan-14	31.30	31.00	
17-Apr-14	30.76	33.00	

** Asterisk signifies initiation or assumption of coverage.*



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Underperform/Sell*	13%	(46% banking clients)
Restricted	3%	

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