

RAYMOND JAMES

ASSESSING CREDIT

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See Page 49 for Important Disclaimers & Disclosures

FIXED INCOME RESEARCH

ASSESSING CREDIT - AGENDA

- Corporate Intro
- Corporate Default Deep Dive
- Credit Analysis DIY
- Additional Tools
- Appendix – Even More Stuff

ASSESSING CREDIT – CORPORATE BOND BASICS

- Debt obligations (IOUs) issued by private and public corporations
- The corporation promises to return your money (the principal amount) on a specified maturity date. Until that time, it also pays you a stated coupon rate, usually semiannually
- Companies use the funds they raise from selling bonds for a variety of purposes, from building facilities to purchasing equipment to expanding their business

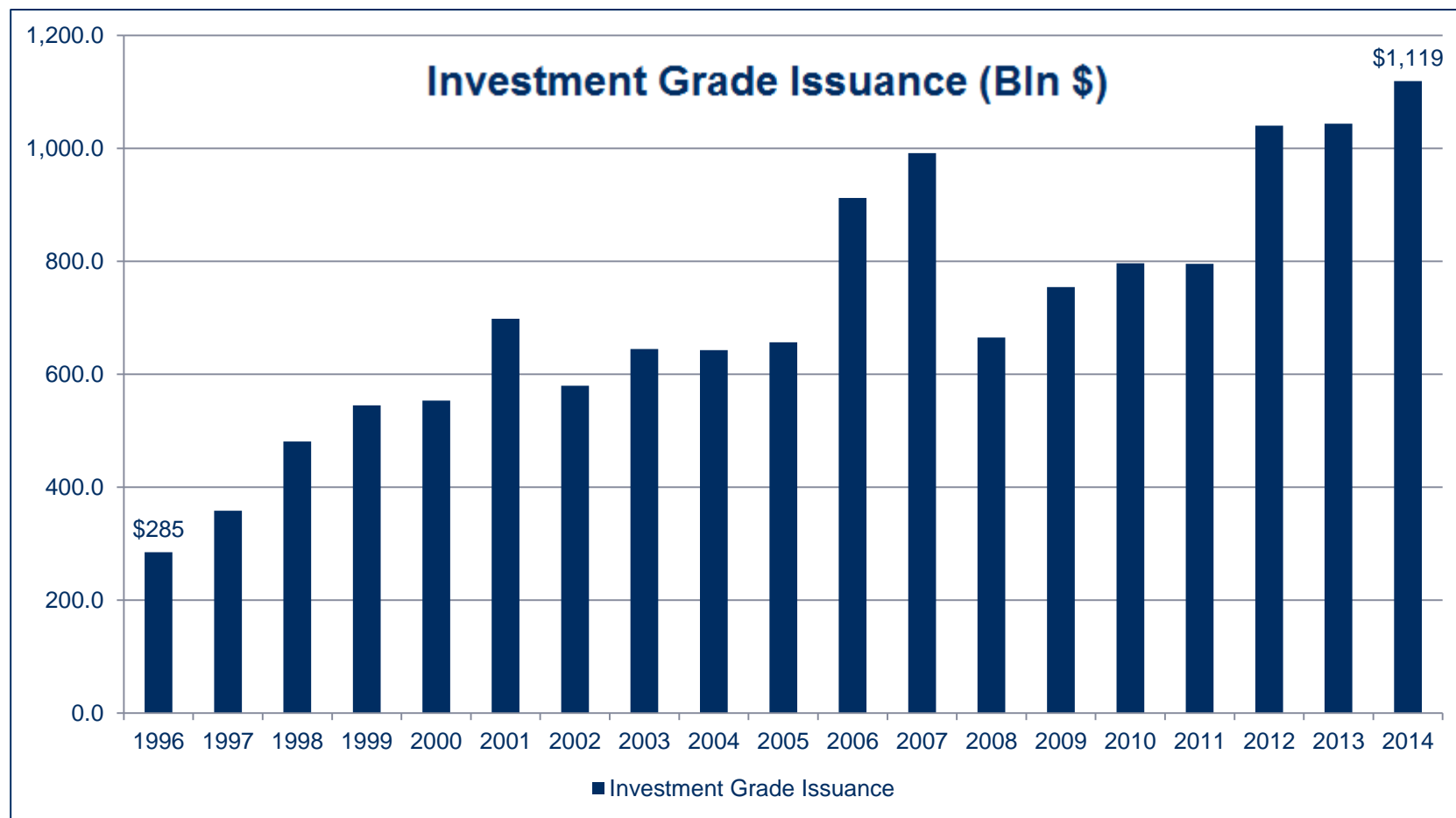
*Source: SIFMA.org

ASSESSING CREDIT – THE CORPORATE MARKET

- The corporate bond market is large and liquid, with daily trading volume estimated at \$12b for Investment Grade and \$5.5b for High Yield *
- Corporate bonds trade in the over-the-counter (OTC) market

* NTMBIV and NTMBHV Bloomberg Screens

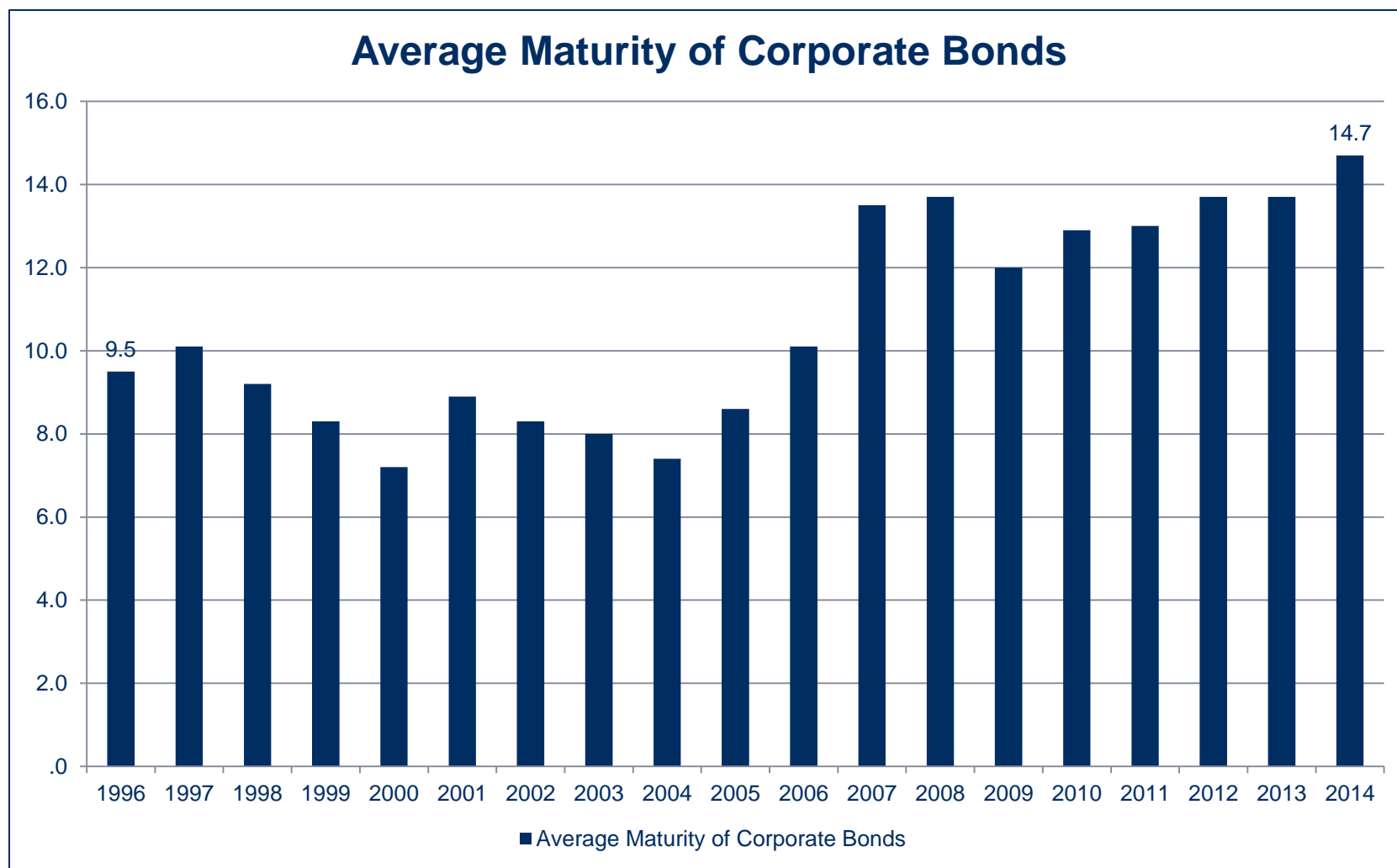
ASSESSING CREDIT – MASSIVE GROWTH



Total Debt Outstanding \$7,733 Billion

*Source: SIFMA.org

ASSESSING CREDIT – LOCKING IN LOW RATES FOR LONGER



*Source: SIFMA.org

Corporate Sectors

- Industrial
 - Manufacturing (ex. Boeing, International Paper)
 - Service (ex. Comcast, Merck)
 - Energy (ex. Kinder Morgan, Halliburton)
 - Consumer (ex. Kraft Foods, Coca-Cola)
 - Transportation (ex. FedEx, CSX)
- Utilities (ex. Alabama Power, Duke Energy Carolinas)
- Finance (ex. Goldman Sachs, Prudential Financial)

ASSESSING CREDIT – RATING CATEGORIES

Rating

	Moody's	Standard & Poor's
Investment Grade		
Highest quality (Best quality, smallest degree of investment risk)	Aaa	AAA
High quality (Often called high-grade bonds)	Aa	AA
Upper medium grade (Many favorable investment attributes)	A	A
Medium grade (Neither highly protected nor poorly secured)	Baa	BBB
Speculative Grade		
Somewhat speculative (Have speculative elements)	Ba	BB
Speculative (Generally lack characteristics of a desirable investment)	B	B
Highly speculative (Bonds of poor standing)	Caa	CCC
Most speculative (Poor prospects)	Ca	CC
Imminent default (Extremely poor prospects)	C	C
Default	C	D

ASSESSING CREDIT – DEBT CAPITAL STRUCTURE

Priority

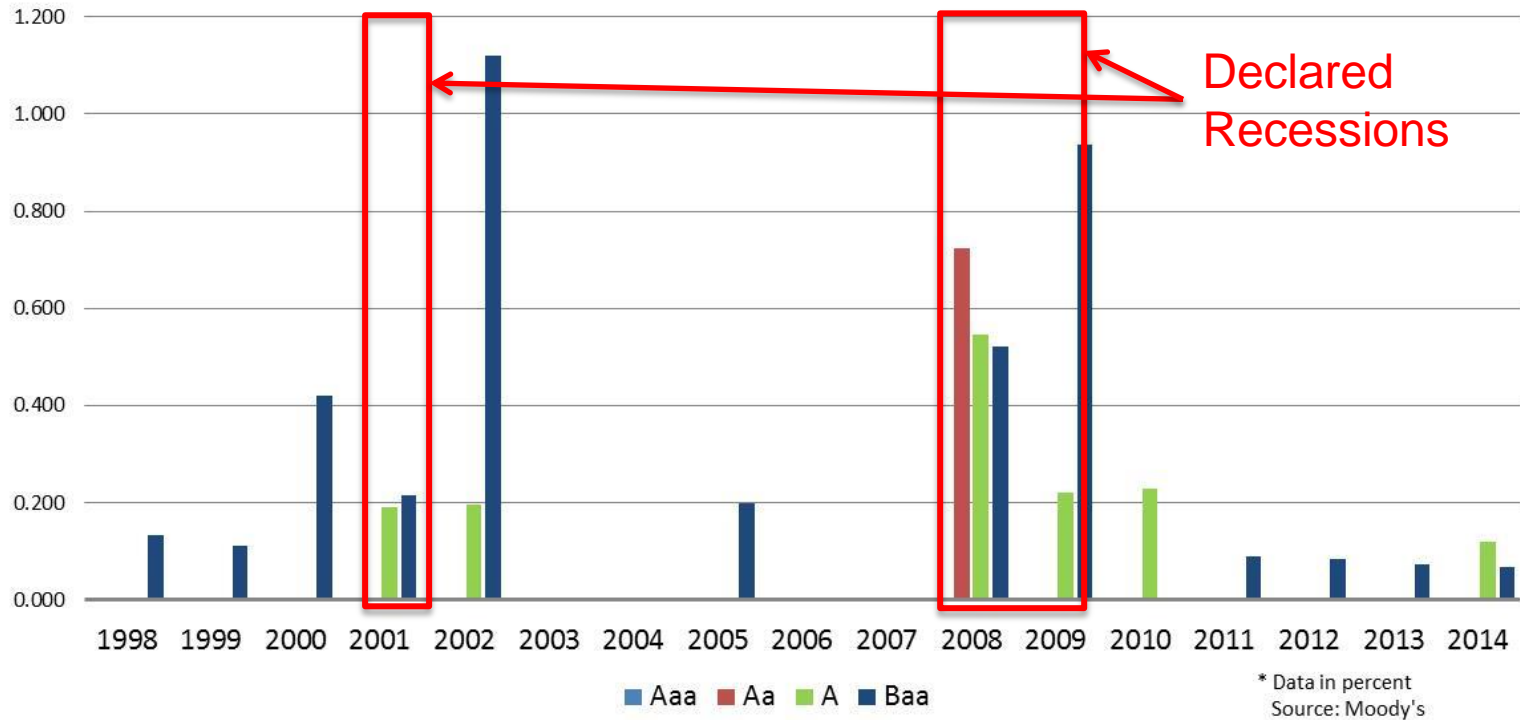
- Debts ranked from highest to lowest level of bankruptcy priority:
 - Debt secured with higher-quality operating asset collateral
 - Debt secured with lesser-quality operating asset collateral
 - **Senior debt of the operating company**
 - Senior liabilities
 - Subordinated debt
 - Junior subordinated debt
 - All other operating company liabilities
 - **Senior debt of the holding company (structurally subordinated)**
 - Subordinated debt of the holding company
- Issues can be “notched” up or down from corporate credit rating level based on recovery prospects in a default scenario

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- **Corporate Default Deep Dive**
- Credit Analysis DIY
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- Appendix – Even More Stuff

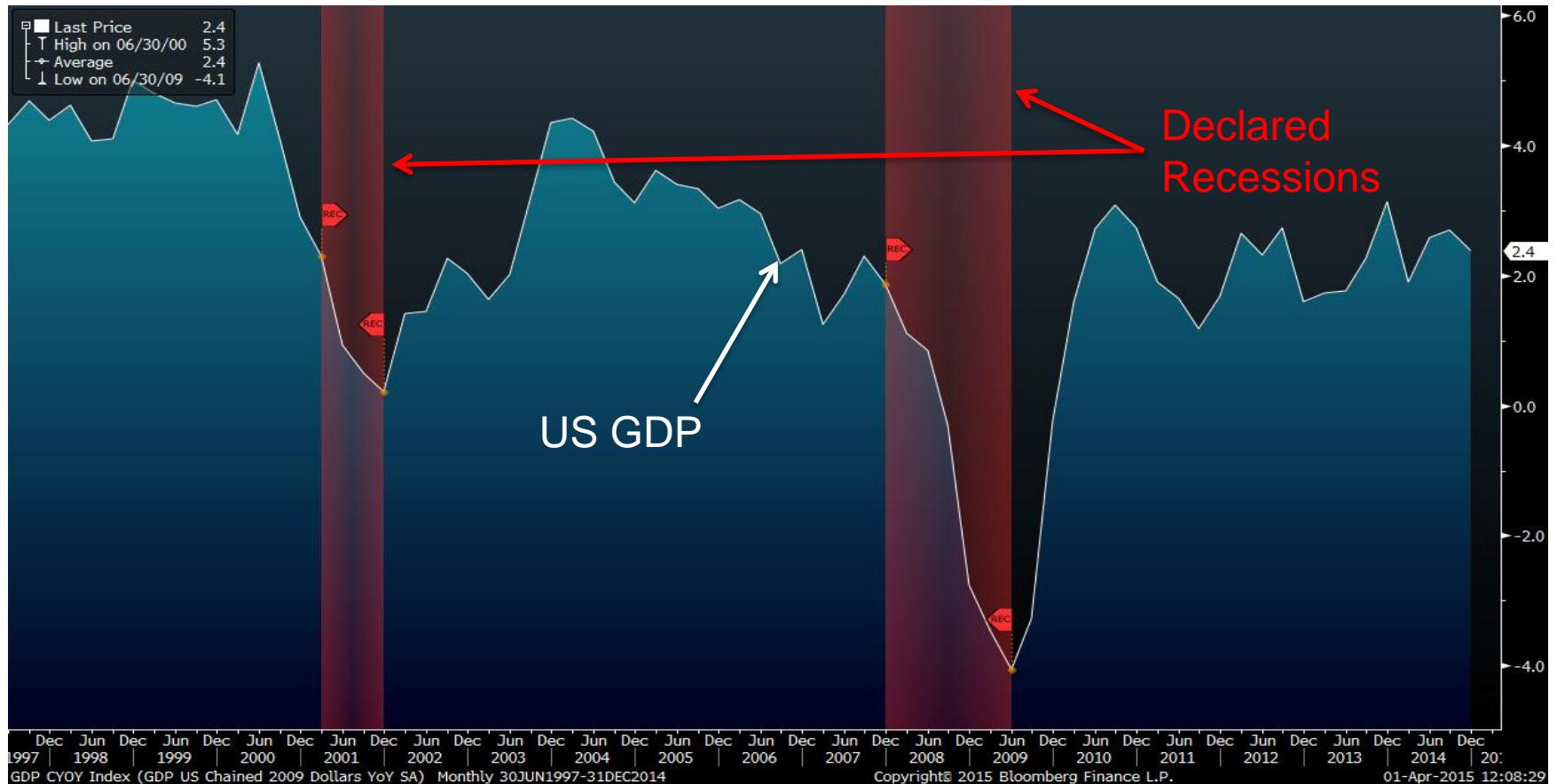
ASSESSING CREDIT – DEFAULT HISTORY

Annual Issuer - Weighted Corporate Default Rates by Letter Rating,
1998-2014*



- Default rates overall are low for Investment Grade companies
- Generally correspond to weak economic periods

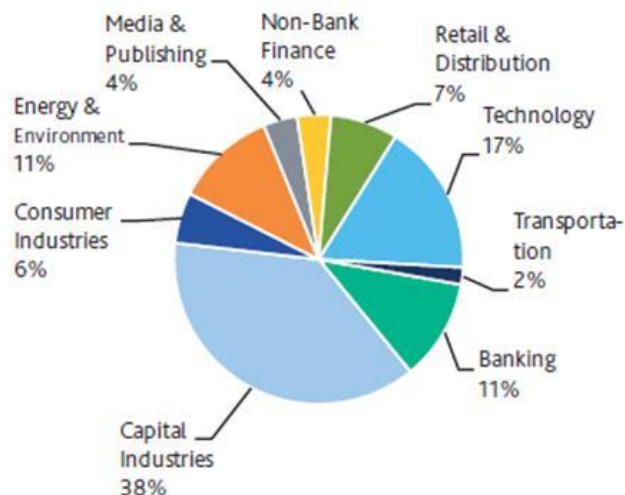
ASSESSING CREDIT – THE ECONOMIC CYCLE



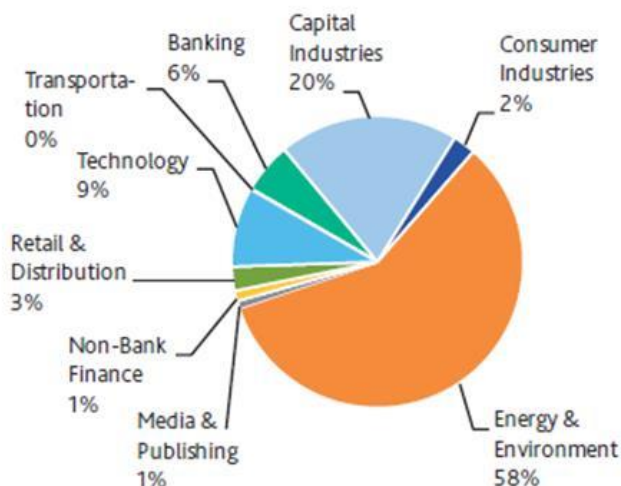
ASSESSING CREDIT – 2014 DEFAULT BREAKDOWN

2014 Default counts and volumes by broad industry

Panel A Distribution of defaulted issuer counts



Panel B Distribution of default dollar volume



Source: Moody's Investors Service

- Of the 53 Defaults last year, 38% were by issuers in the Capital Industries sector.
- This was followed by issuers in the Technology sector, which contributed 17% of defaults in 2014.
- When measured by default volume, however, the Energy & Environment sector topped the list by accounting for more than half of the total defaulted volume.

The Capital Industries sector includes automotive, capital equipment, chemicals, plastics & rubber, construction & building, containers, packaging & glass, forest products & paper, metals & mining and business service industries.

ASSESSING CREDIT – 2014 DEFAULT BREAKDOWN

The Technology sector had the Highest Rate of Default in 2014

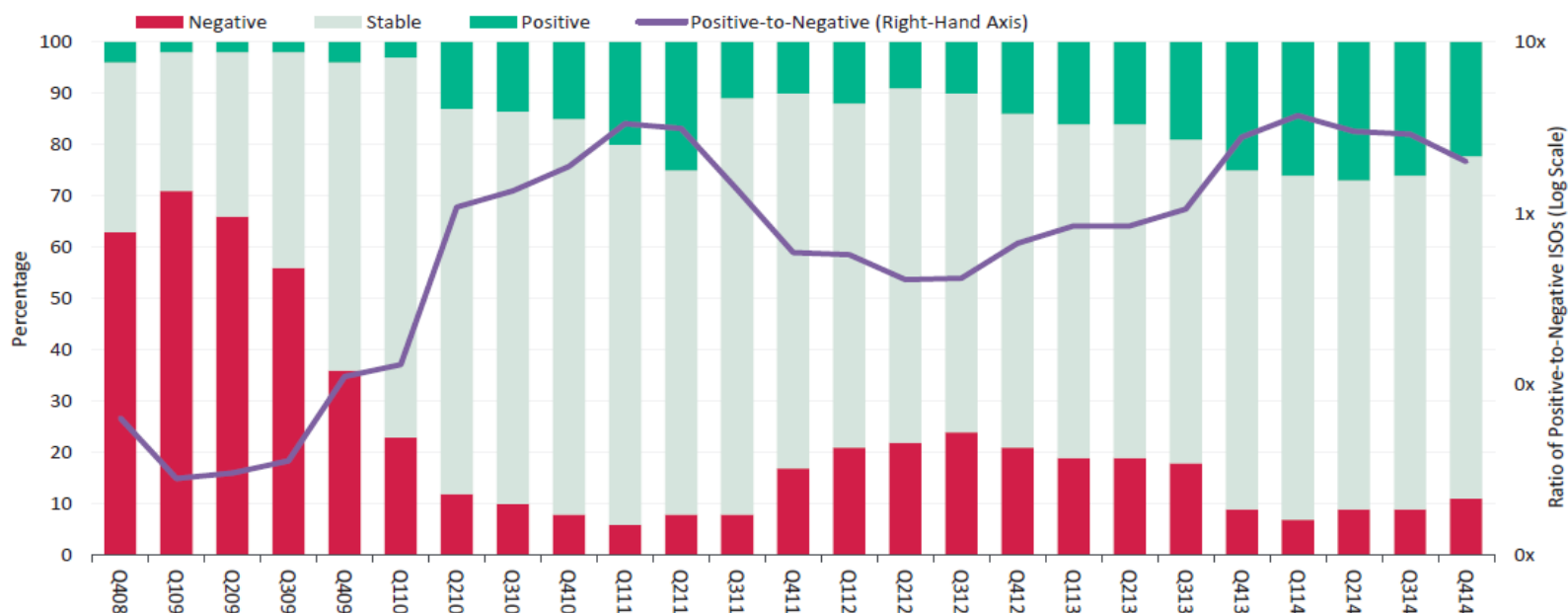
Broad Industry	Default Rates*
Banking	0.8%
Capital Industries	1.7%
Consumer Industries	0.5%
Energy & Environment	1.3%
Non-Bank Finance	0.4%
Media & Publishing	1.1%
Retail & Distribution	1.8%
Government Related Issuers	0.0%
Technology	2.0%
Transportation	0.7%
Utilities	0.0%

*Issuer-Weighted

Source: Moody's Investors Service

ASSESSING CREDIT – RATING OUTLOOK HISTORY

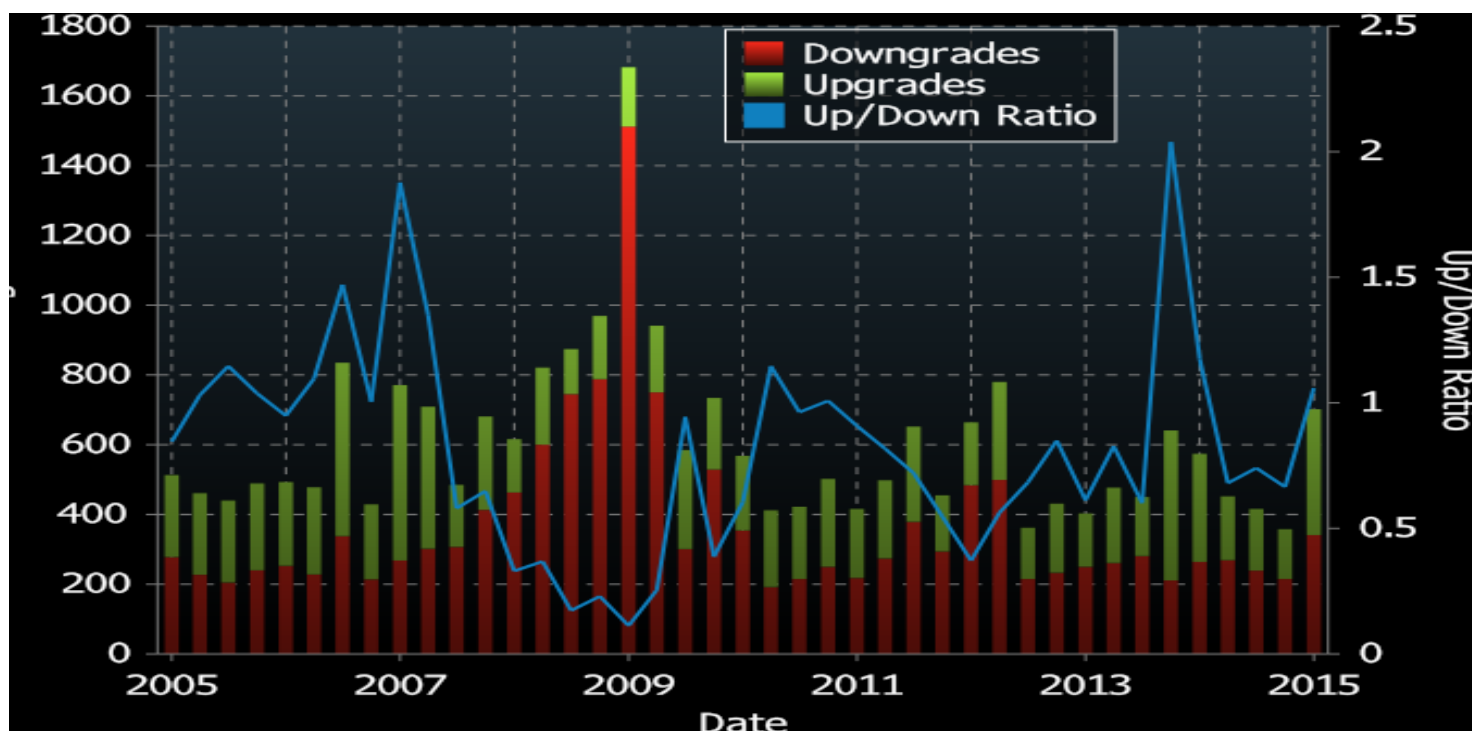
Industry Sector Outlooks, Corporate Finance Group (Global)



Source: Moody's Investors Service (25 November, 2014)

- Two-thirds of Moody's Industry Sector Outlooks, 36 of 54, are stable
- Ratio of positive to negative Industry Sector Outlooks, now 2x, started improving in mid-2013

ASSESSING CREDIT - CREDIT RATING TRENDS: MOODY'S



Period	YTD	Upgrades	Downgrades
Total		361	341
Investment Grade		122	95
High Yield		173	106
Fallen Angels		0	2
Rising Stars		1	0

Up/Down Ratio – The ratio of upgrades to downgrades (i.e., not the number of securities issued) in a particular month. A value of less than one indicates more downgrades than upgrades for the corresponding quarter.

ASSESSING CREDIT - CREDIT RATING TRENDS: S&P



Period	YTD	Upgrades	Downgrades
Total		176	253
Investment Grade		50	48
High Yield		92	115
Fallen Angels		0	4
Rising Stars		3	0

Up/Down Ratio – The ratio of upgrades to downgrades (i.e., not the number of securities issued) in a particular month. A value of less than one indicates more downgrades than upgrades for the corresponding quarter.

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ASSESSING CREDIT – THE FIVE C’S OF CREDIT

Capacity

- Does the company have enough cash to service their debt

Character

- Is the company willing to repay the debt

Capital

- How much equity/subordinated debt supports the debt

Conditions

- What is the operating environment

Collateral

- What are potential sources of repayment

ASSESSING CREDIT – A LITTLE MORE SPECIFIC

Leverage

- How much debt does the company have?

Coverage

- How much cash flow is available to pay debt service?

Cash Flow

- How stable are the company's cash flows?
- How volatile is the coverage ratio?

METRICS : CAPACITY TO PAY FOR FINANCIALS

Metric	Measures	Typical Range
Liquidity/Assets	Liquid assets (readily available) to total assets	20% - 25%
Liquidity Coverage Ratio	Liquid assets to short-term obligations	100% - 110%
Sources of Outside Liquidity	Access to govt funding and repo market	80% to 100% of L-T Debt
Access to Public Markets	Ability to borrow	\$15 - \$20 Billion Annually

Metric	Measures	Typical Range
Return on Assets	Efficient use of assets	0.3% - 1.5%
Return on Equity	Profitability of shareholder capital	7% - 15%
Leverage Ratio	Proportion of loss absorbing capital/assets	8% - 12%
Tier 1 Common Ratio	Proportion of loss absorbing capital/risk assets	9% - 11%
Loans/Deposits	Liquid Assets to Short-Term Obligations	75% - 110%
Provisions/Avg. Loans	Proportion of estimated future loan losses	0.1% - 0.5%
Nonperforming Assets/Total Assets	Proportion of non-earning assets	0.5% - 1.5%
Chargeoffs/Average Assets	Losses charged to loan loss reserve	0.1% - 0.7%

METRICS : CAPACITY TO PAY FOR INDUSTRIALS

Metric	Measures	Typical Range
Current Ratio	S-T liability overage	1.0 – 1.7x
Quick Ratio	S-T Liability Coverage (Less inventories)	0.5x – 1.1x
Days Sales Outstanding	Ability to collect from customers	20 – 85 days
Days Inventory Outstanding	How long it takes to turn inventory	35 – 90 days
Days Payables Outstanding	How long it takes to pay suppliers	
Liquidity	Readily sources of liquidity	20% of total debt
Access to Public Markets	Ability to borrow	\$3 - \$8 billion annually

Metric	Measures	Typical Range
Profit Margin	Earnings per dollar of sales	5% - 15%
Return on Assets	Efficient use of assets	4% - 9%
Return on Equity	Profitability of shareholder capital	10% - 25%
Debt/Capital	Use of debt within capital structure	30% - 55%
Interest Coverage	Earnings available to service debt	6x - 18x
Net Leverage	Net debt to available earnings	0x - 3x
Free Cash Flow/Total Debt	Amount of cash available for debt service	10% - 35%

METRICS : CAPACITY TO PAY FOR UTILITIES

Metric	Measures	Typical Range
Debt/Capital	Use of debt within capital structure	50% - 60%
Net Leverage	Net debt to available earnings	3x - 5x
Free Cash Flow/Total Debt	Amount of cash available for debt service	17% - 25%
Interest Coverage	Earnings available to service debt	5x - 7x

- The regulatory environment can change quickly, causing changes in the underlying profitability and/or capital structure of utilities.

ASSESSING CREDIT - INDUSTRIAL CREDIT COMPARISON

Macy's

- Largest in scale among profitable U.S. mainline retailers.
- Nimble with strategies to grow sales & profits-omnichannel delivery, off-price expansion and licensing.
- Leverage expected to remain stable (2.3x lease-adjusted), with bonds trading at a discount to what we believe are comparable credit

Nordstrom

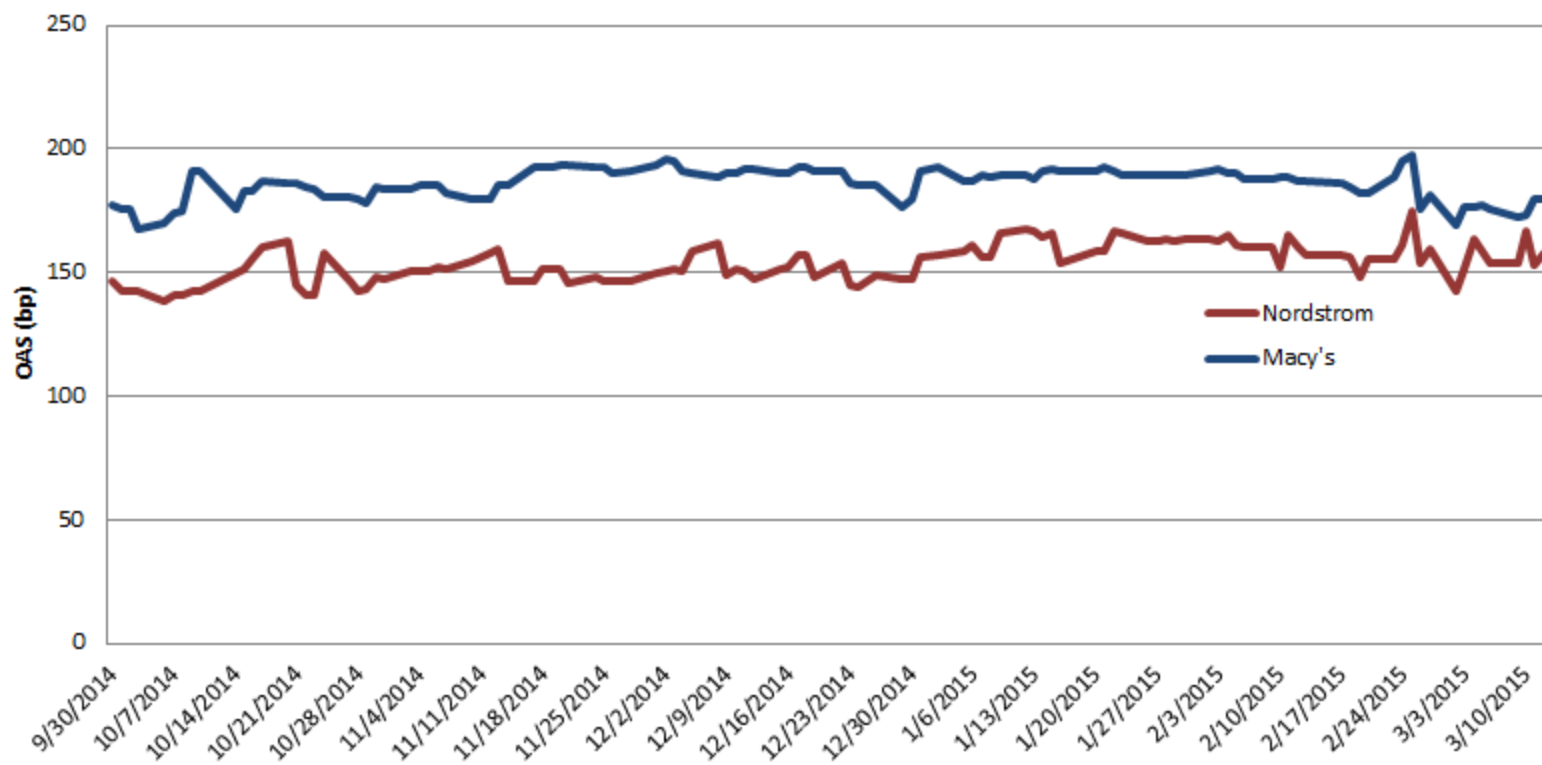
- Unique competitive position across full-line and off-price channels insulates Nordstrom from sector challenges.
- Financial policy supports strong credit metrics and good liquidity.
- Geographic concentration in California.

	Macy's	Nordstrom
<i>Ratings</i>		
Ratings (Moody's/S&P)	Baa2/BBB+	Baa1/A-
Moody's Outlook	Stable	Stable
S&P Outlook	Stable	Stable
<i>Bond Yields</i>		
30 Year	4.09	3.98
<i>Liquidity</i>		
Current Ratio (x)	1.57	1.87
Quick Ratio (x)	0.48	1.12
<i>Leverage & Activity</i>		
Pretax Int Coverage (x)	6.9	11.6
Debt/Equity (x)	1.2	1.3
<i>Revenue & Profitability</i>		
Revenue (mill \$)	27,931	13,506
Gross Margin (%)	40.1	37.8
Return on Equity (%)	23.8	29.5
Return on Assets (%)	6.9	7.8

Source: Desk Analyst, Bloomberg, Moody's, Egan Jones

ASSESSING CREDIT – SPREAD HISTORIES

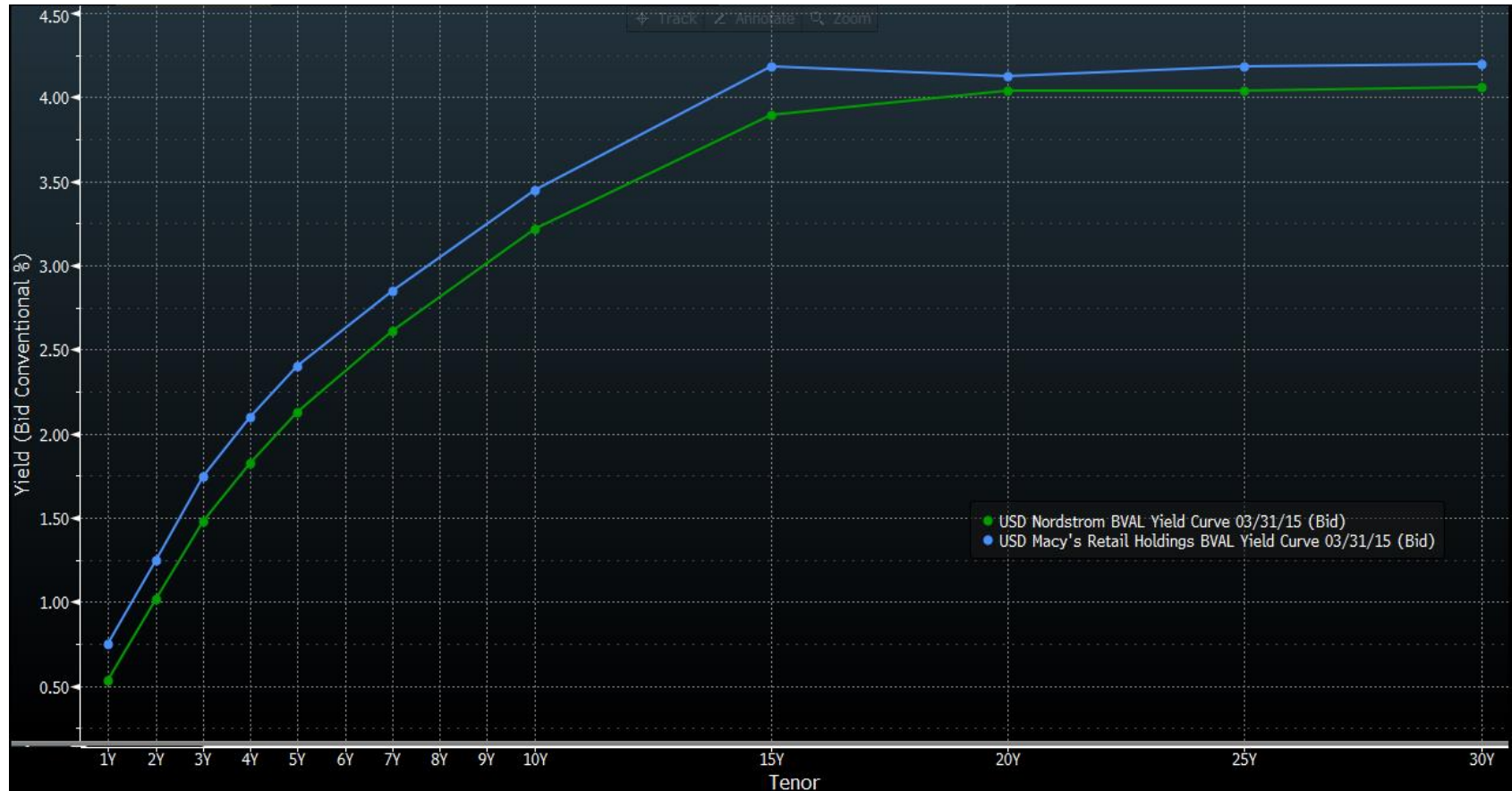
Macy's 30 Yr OAS vs Nordstrom's 30 Yr OAS



Source: YieldBook

ASSESSING CREDIT – YIELD CURVE COMPARISON

Macy's vs. Nordstrom's Individual Yield Curves



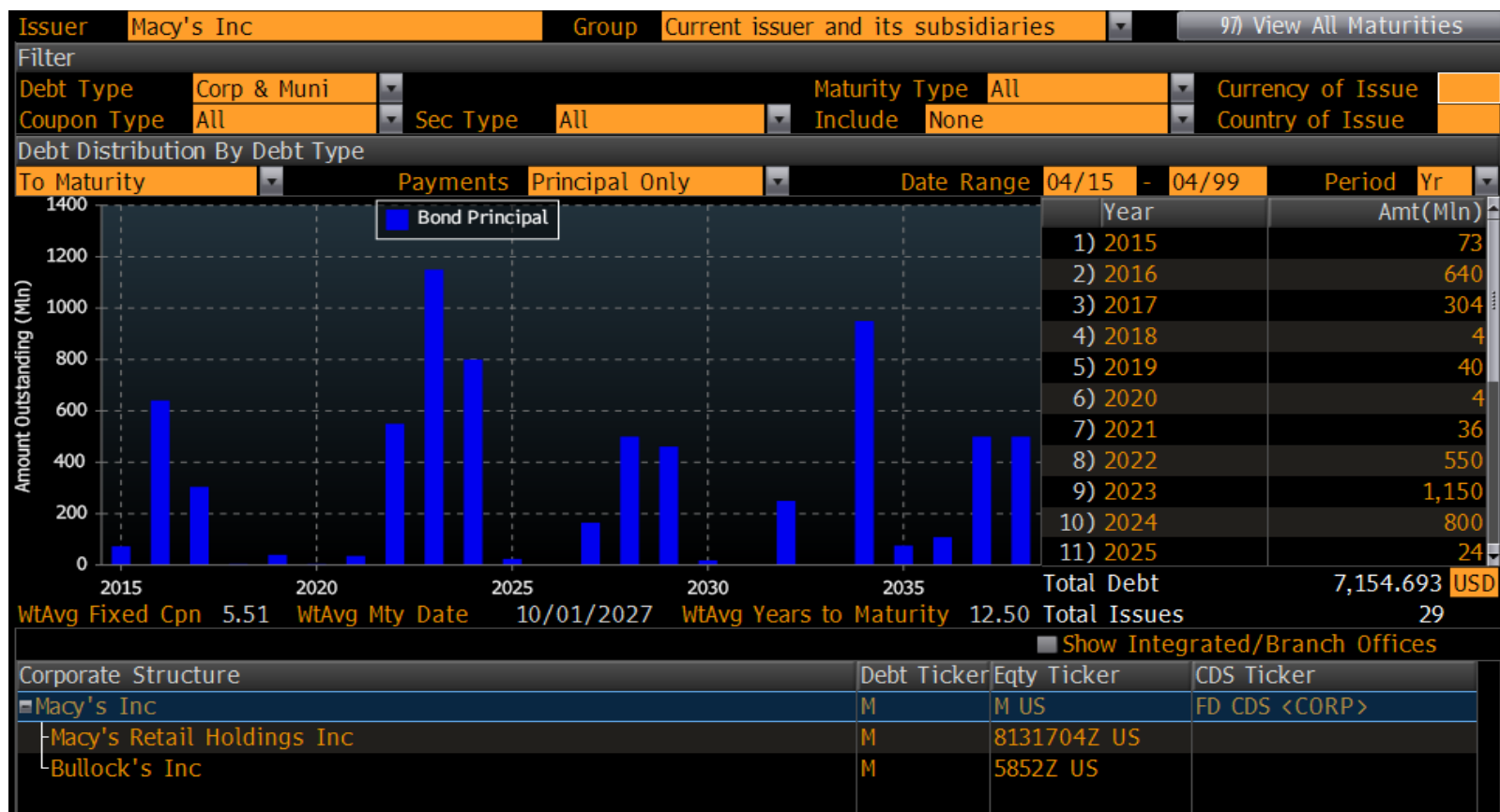
ASSESSING CREDIT – ISSUER SPECIFIC RATINGS HISTORY

Bloomberg CRPR Screen, Current Credit Ratings

M US Equity	91) Company Tree Ratings	92) Alert	Page 1/1	Credit Rating Profile
Macy's Inc				
1) Bloomberg Default Risk (DRSK)		FITCH		
MOODY'S		17) Outlook	STABLE	
2) Outlook	STABLE	18) LT Issuer Default Rating	BBB	
3) Long Term Rating	Baa2	Egan-Jones Ratings Company		
4) Senior Secured Debt	WR	19) LC Senior Unsecured	A-	
5) LT Corp Family Rating	WR	20) FC Senior Unsecured	A-	
6) Senior Unsecured Debt	Baa2	21) LC Commercial Paper	A3	
7) Subordinated Debt	WR	22) FC Commercial Paper	A1	
8) Short Term	WR			
9) Probability of Default	WR			
10) Spec Grade Liquidity Rtg	WR			
11) STANDARD & POOR'S				
12) Outlook	STABLE			
13) LT Foreign Issuer Credit	BBB+			
14) LT Local Issuer Credit	BBB+			
15) ST Foreign Issuer Credit	NR			
16) ST Local Issuer Credit	NR			

ASSESSING CREDIT – ISSUER DEBT MATURITY LATTER

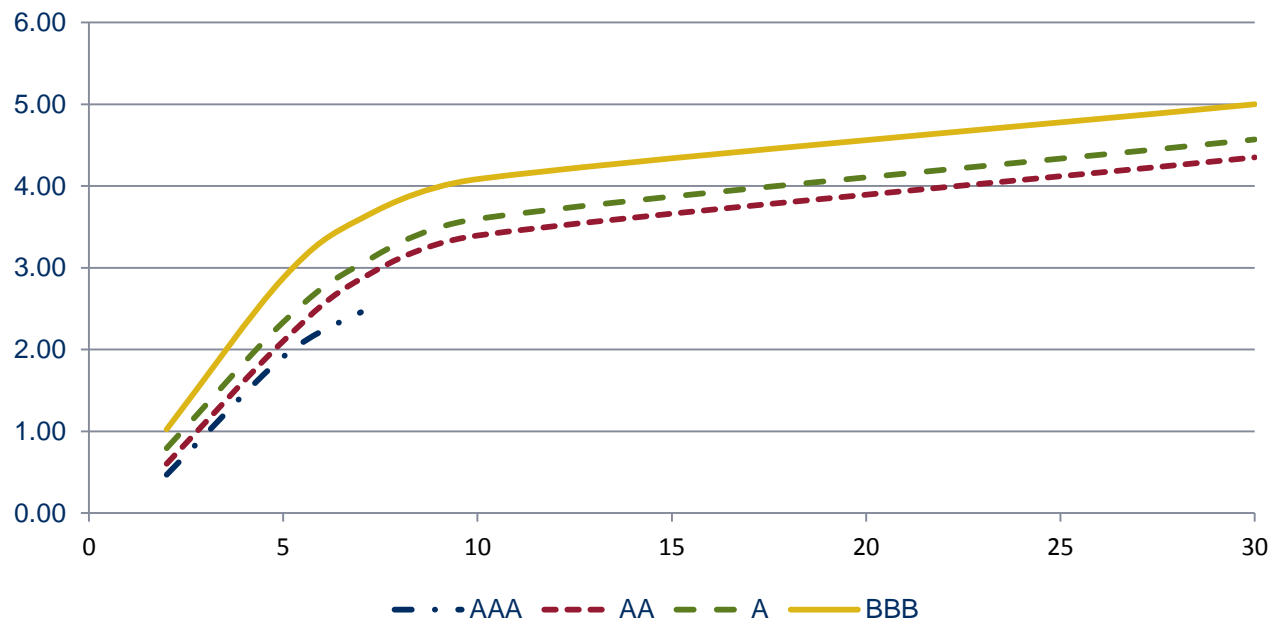
Debt Distribution DDIS <GO>



ASSESSING CREDIT – IT COMES TOGETHER HERE

Corporate Credit Curves

Credit Curves



<i>Industrial</i>					<i>Financial</i>					<i>Utility</i>				
	AAA	AA	A	BBB		AAA	AA	A	BBB		AAA	AA	A	BBB
2	0.47	0.54	0.61	0.98	2	0.57	0.70	0.89	1.18	2	-	-	0.77	0.95
5	1.91	2.10	2.18	2.88	5	1.84	2.18	2.45	3.17	5	-	-	2.29	2.44
7	2.46	2.79	2.95	3.66	7	-	2.96	3.14	-	7	-	-	2.93	3.31
10	3.15	3.39	3.48	4.13	10	-	-	3.76	-	10	-	-	3.36	3.88
30	4.24	4.34	4.53	5.11	30	-	4.48	4.79	-	30	-	-	4.27	4.95

Source: Yield Book

ASSESSING CREDIT – GUIDANCE FROM A REGULATOR

OCC Guidelines

Guidance on Due Diligence Requirements in Determining Whether Securities Are Eligible for Investment

Key factors	Corporate bonds	Helpful Bloomberg Page
Confirm spread to U.S. Treasuries is consistent with bonds of similar credit quality	X	COMB
Confirm risk of default is low and consistent with bonds of similar credit quality	X	RVRD
Confirm capacity to pay and assess operating and financial performance levels and trends through internal credit analysis and/or other third party analytics, as appropriate for the particular security	X	FA

Source: **Federal Register** / Vol. 77, No. 114 / Wednesday, June 13, 2012 / Rules and Regulations

ASSESSING CREDIT – COMPARABLE BOND ANALYSIS

Bloomberg COMB Screen



ASSESSING CREDIT – RELATIVE VALUE SCREEN

Bloomberg RVRD Screen

M US Equity		1) Customize				2) Actions			Relative Value Ranking	
Peers	Broadline Retailers	Home Country of the Company				Closest		50	By	Mkt Cap
Equity View		Debt View								
	Debt Fields	Macy's Inc				Peer Group			S&P 500	
	Overview	Current	Est 1Y	1Y Ago	5Y Avg	Current	Pctl	Est 1Y	Current	Pctl
11)	Debt Ratios									
12)	Debt/T12M EBITDA	1.91	1.60	1.94	2.08	1.65	54%	1.00	4.05	44%
13)	EBITDA/Int Exp	9.66	13.78	9.48	8.17	25.39	19%	24.33	9.44	40%
14)	Total Debt/EV	0.27	0.25	0.27	0.34	0.23	53%	0.12	N.A.	69%
15)	EBITDA Margin	13.65	14.32	13.24	13.14	7.06	96%	7.03	16.80	22%
16)	LT Debt/Equity	135.09	111.70	107.67	118.69	24.94	88%	30.42	74.49	83%
17)	Net Debt (USD)	5.10B	4.81B	4.92B	5.20B	68.14M	88%	132.51M	3205.20B	68%
18)	LT Debt/Capital	57.12	52.68	50.06	0.52	24.78	79%	31.85	34.84	86%
19)	EV/T12M EBITDA	7.17	6.88	7.26	6.33	9.74	21%	8.97	N.A.	12%
20)	Valuation									
21)	5 Year CDS	49.79	23.65	65.50	113.53	20.57	70%	23.65	47.67	45%
22)	Ratings									
23)	Outstanding Debt									
24)	Current LT Debt (USD)	N.A.	596.30M	463.00M	129.75M	56.00M	N.A.	33.29M	410.46B	N.A.
25)	LT Debt (USD)	7.26B	6.81B	6.73B	6.89B	273.38M	83%	229.63M	5098.39B	71%
26)	Total Debt (USD)	7.34B	6.83B	7.19B	7.33B	276.18M	83%	262.91M	7493.93B	65%
27)	Financials Only									
28)	Tier-1 Ratio	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
29)	Cap Ade - R-B Cap	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.

ASSESSING CREDIT – FINDING THE DATA

M US Equity		96) Actions	97) Output	98) Settings	Financial Analysis		
ADJ Macy's Inc					Periodicity	Annuals	Currency USD
1) Key Stats	2) I/S	3) B/S	4) C/F	5) Ratios	6) Segments	7) Addl	8) ESG
11) Adj Highlights	12) GAAP Highlights	13) Earnings	14) Enterprise Value	15) Multiples	16) Per Share	17) Stock Value	
In Millions of USD	FY 2012	FY 2013	FY 2014	FY 2015	Current/LTM	FY 2016 Est	FY 2017 Est
12 Months Ending	2012-01-28	2013-02-02	2014-02-01	2015-01-31	2015-01-31	2016-01-31	2017-01-31
Market Capitalization	14,008.2	15,318.0	19,412.7	21,757.5	22,186.9		
- Cash & Equivalents	2,827.0	1,836.0	2,273.0	2,246.0	2,246.0		
+ Preferred & Other	0.0	0.0	0.0	0.0	0.0		
+ Total Debt	7,758.0	6,930.0	7,191.0	7,341.0	7,341.0		
Enterprise Value	18,939.2	20,412.0	24,330.7	26,852.5	27,281.9		

M US Equity		96) Actions	97) Output	98) Settings	Financial Analysis		
ADJ Macy's Inc					Periods	10 Annuals	Currency USD
1) Key Stats	2) I/S	3) B/S	4) C/F	5) Ratios	6) Segments	7) Addl	8) ESG
11) Profitability	12) Growth	13) Credit	14) Liquidity	15) Working Capital	16) Yield Analysis	17) DuPont Analysis	
In Millions of USD except Per Share	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	
12 Months Ending	2010-01-30	2011-01-29	2012-01-28	2013-02-02	2014-02-01	2015-01-31	
Cash Ratio	0.38	0.29	0.45	0.36	0.40	0.41	
Current Ratio	1.54	1.36	1.40	1.55	1.52	1.57	
Quick Ratio	0.46	0.37	0.51	0.43	0.47	0.48	
CFO/Avg Current Liab	0.37	0.32	0.37	0.38	0.47	0.48	
Common Equity/Total Assets	21.85	26.80	26.85	28.83	28.89	25.06	

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ECRI Weekly Leading Growth Index

- ECRI Weekly Leading Growth Index
 - Created by Goeffrey H. Moore
 - Developed the original LEI
 - Designed to predict economic activity from cyclical indicators, not just by extrapolating economic trends

ECRI Sector Rotation Model

- Analyzed 15 years of data
- Index is smoothed to reduce portfolio transactions
- Average of 7 portfolio sector allocation shifts per year
- Returns are annualized and measured against the Citi BIG index
- Complete report is available on eFolio®

ECRI Weekly Leading Growth Index



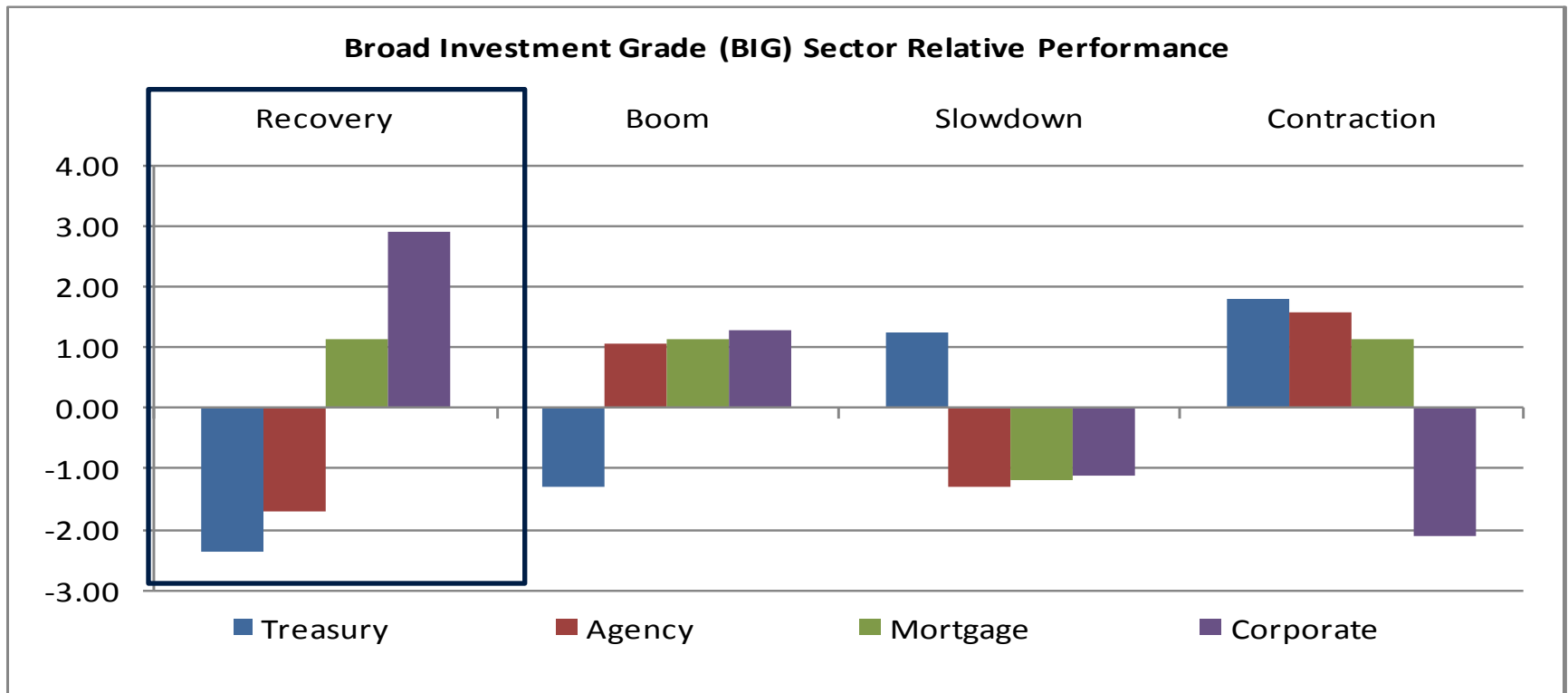
ASSESSING CREDIT – RECENT HISTORY AND CURRENT PHASE

ECRI Sector Rotation Tool

ECRI Weekly Leading Growth Index

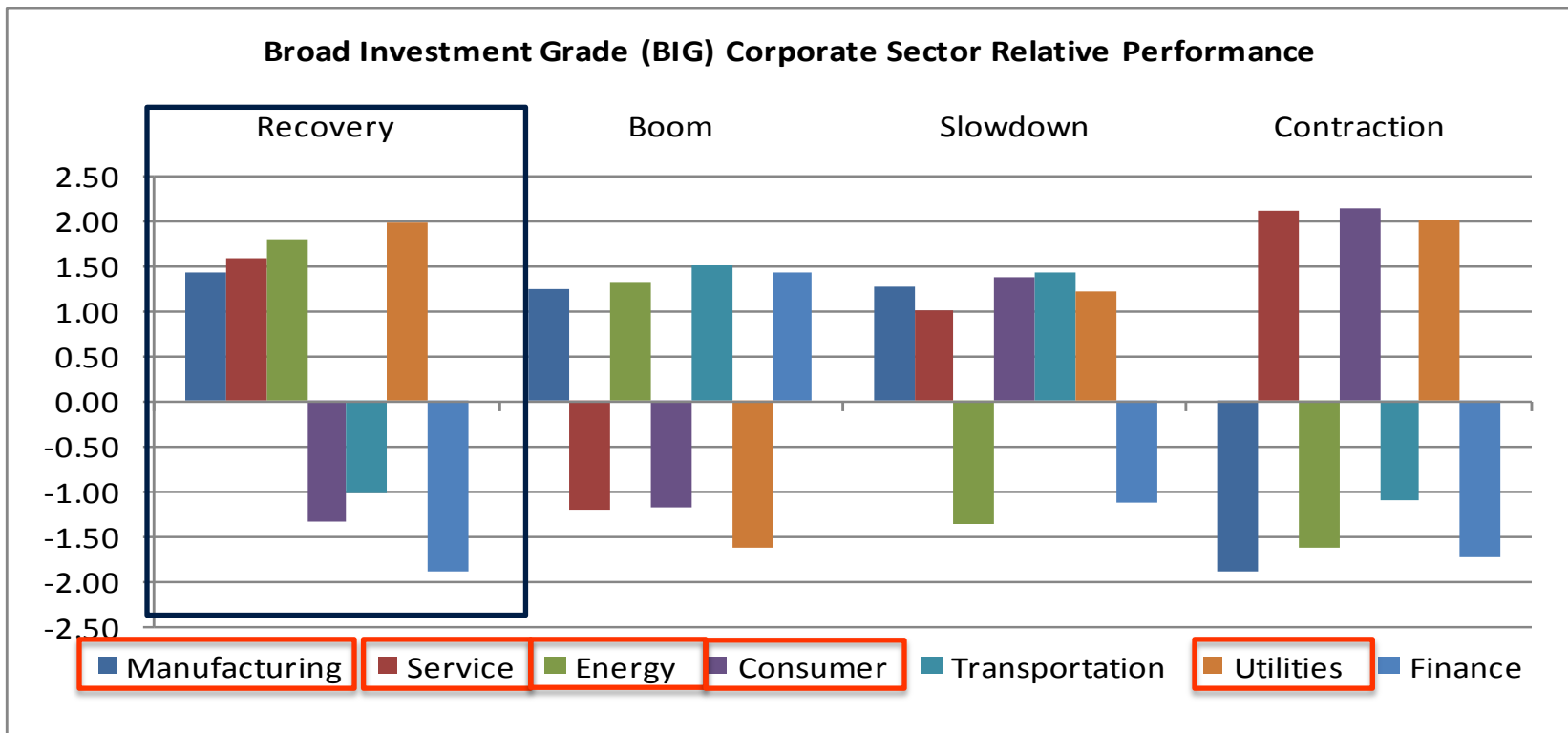


ECRI Sector Rotation Model



ECRI Sector Rotation Tool

ECRI Sector Rotation Model



ASSESSING CREDIT – CORPORATE PERFORMANCE REPORT

March 30, 2015

	% Index	% Sector	# Issues	Rating	Yield	Eff Dur	Eff Conv	OAS	OAS Change			Total Return				
									1-Day	1-Week	Month	1-Day	1-Wk	1-Mnth	MTD	YTD
<i>Corporate</i>	100		5381	A-	2.9293	7.24	0.97	133	0	0	4	0.48	0.03	0.53	0.30	2.12
<i>Industrial</i>	55.91	100.00	3119	A-	3.0839	7.61	1.05	143	0	-1	4	0.51	0.10	0.58	0.32	2.18
Manufacturing	17.70	31.66	985	A-	2.8749	7.01	0.90	130	-1	-1	6	0.49	0.09	0.39	0.24	1.98
Service	18.34	32.80	972	A-	2.9553	8.15	1.21	124	0	1	0	0.49	-0.08	0.89	0.44	2.29
Energy	12.28	21.97	657	BBB+	3.7949	7.53	0.98	212	-1	-6	8	0.54	0.42	0.26	0.14	2.38
Consumer	5.30	9.48	313	A-	2.6477	7.23	1.00	106	1	-1	4	0.43	0.11	0.70	0.51	1.92
Transportation	2.21	3.96	188	A-	3.006	8.95	1.42	120	-1	1	1	0.73	-0.07	1.06	0.43	2.49
Utilities	12.35	100.00	864	BBB+	3.2208	9.37	1.45	139	0	1	2	0.61	-0.21	0.77	0.40	2.64
Finance	31.74	100.00	1398	A-	2.5362	5.73	0.61	114	0	0	5	0.37	0.01	0.32	0.23	1.80

ASSESSING CREDIT – SUB SECTOR CORPORATE PERFORMANCE

Sub-Sector	Sector	Current 1-week Rank	Rank 1-week ago	Rank 2-weeks ago	Rank 3-weeks ago	Sub-Sector	Sector	Current 1-week Rank	Rank 1-week ago	Rank 2-weeks ago	Rank 3-weeks ago
Oil and Gas	Energy	1	40	40	5	Information/Data Technology	Manufacturing	22	18	21	27
Metals/Mining	Manufacturing	2	39	43	6	Real Estate Investment Trust	Finance	23	29	26	14
Securities Broker Dealers	Finance	3	42	20	12	Auto Manufacturers	Manufacturing	24	31	42	8
Food Processors	Consumer	4	24	14	31	Pharmaceuticals	Service	25	11	11	32
Oil & Gas Field Mach & Svcs	Energy	5	41	34	3	Airlines	Transportation	26	43	41	1
Conglomerate/Diversified Mfg	Manufacturing	6	14	29	25	Chemicals	Manufacturing	27	10	39	15
Natural Gas Distributors	Utilities	7	12	22	38	Railroads	Transportation	28	3	5	42
Building Products	Manufacturing	8	28	31	11	Retail Stores	Service	29	7	15	36
Beverage/Bottling	Consumer	9	27	13	21	Restaurants	Service	30	13	9	18
Property & Casualty Insurance	Finance	10	22	8	34	Electronics	Manufacturing	31	33	28	16
Aerospace/Defense	Manufacturing	11	19	3	37	Health Care Supply	Service	32	8	25	26
Other Services	Service	12	25	17	22	Other Transportation	Transportation	33	16	10	35
Other Finance	Finance	13	37	33	4	Consumer Products	Consumer	34	30	12	23
Life Insurance	Finance	14	20	24	30	Electric	Utilities	35	6	7	40
Vehicle Parts	Manufacturing	15	4	2	41	Textile/Apparel/Shoe	Manufacturing	36	1	1	43
Paper & Forest Products	Manufacturing	16	26	18	29	Cable & Media	Service	37	9	30	17
Retail Stores: Food/Drugs	Service	17	23	23	28	Telecommunications	Utilities	38	17	37	9
Gaming/Lodging/Leisure	Service	18	38	36	2	Tobacco	Consumer	39	15	16	33
Gas Pipelines	Energy	19	36	35	24	Independent Finance	Finance	40	21	27	20
Banking	Finance	20	32	38	7	Publishing	Service	41	35	6	19
Machinery	Manufacturing	21	34	19	13	Power	Utilities	42	5	32	10
Information/Data Technology	Manufacturing	22	18	21	27	Other Utilities	Utilities	43	2	4	39

ASSESSING CREDIT - AGENDA

- Corporate Intro
- Corporate Default Deep Dive
- Credit Analysis DIY
- Additional Tools
- **Appendix – Even More Stuff**

ASSESSING CREDIT – SOME PRICING DATA

Bloomberg FIRV Screen

M 5.9 12/01/16			Fixed Income Relative Value										
108.095/108.095		0.943/0.943		TRAC @ 03/31		95 Buy		96 Sell		97 Settings			
BVAL as of 04/01/2015 - LO 4PM			10/01/14		- 04/01/15		6 Months						
Spread		Low	Range		High	Avg +/- bps		StdDev	#SDs	Trend			
1) Spreads to Curves (RV)		◆ Avg ● Now											
2) Spread-Bench		58	53			80	69	-11	7	-1.5			
3) G-Spread		67	54			82	70	-3	6	-0.6			
4) I-Spread		44	28			60	48	-4	7	-0.5			
5) Z-Spread		45	30			62	49	-4	7	-0.6			
6) Credit Rel Value (CRVD)													
7) CDS Basis		-35	-12			-49	-36	1	8	-0.1			
8) Bond vs Comparables (COMB)			Z-Spd		Difference in comparable Z-Spreads over 6 Months								
		Price	Yield	Spread	Diff	Lo	Range		Hi	Avg +/- bps	#SDs	Trend	
9) M 8 1/8 08/35		102.1	2.09	180	-135	-310			-74	-171	36	0.6	
10) M 7.45 10/16		108.8	1.58	97	-52	-89			-20	-41	-11	-0.6	
11) M 7.45 07/17		112.5	1.80	95	-50	-50			-16	-34	-16	-2.5	
12) KSS 6 1/4 12/17		111.6	1.80	81	-36	-55			-11	-34	-2	-0.3	
13) JWN 6 1/4 01/18		112.8	1.53	52	-7	-27			4	-8	1	0.1	
M 5.9 12/16		107.8	1.12	45									
Avg of Comparables			1.76	101	-56	-84			-37	-57	1	0.1	
15) Avg Sector US IG RETAIL DEPAR			1.59	94	-49	-53			-13	-30	-19	-1.8	
16) BVAL Price			107.8	1.12									

ASSESSING CREDIT – INDIVIDUAL SECURITIES LEVEL

Drill down to the Issuer Level and Individual Security Level

USD Investment Grade > Consumer Disc. > Macy's Retail Holdings Inc

									OAS Range - 1 Month			1 Month		
Security	↓		Rank	OAS	Chg	Price	Yield	Src	Time	Low	Range	High	Avg	1M Chg
All				140	0	116.022	3.297							
											◆ Avg ● Now			
1) M 5.9 12/01/16	⌵ ⓘ		Sr Unsecured	31	-1	107.880	1.068	BGN	14:11	28	—◆—●—	36	32	1
2) M 7.45 07/15/17	⌵ ⓘ		Sr Unsecured	68	-3	113.120	1.550	BGN	11:19	67	—●—◆—	77	71	-1
3) M 3 7⁄8 01/15/22	⌵ ⓘ		Sr Unsecured	100	-2	107.044	2.690	BGN	14:11	98	—●—◆—	107	102	0
4) M 2 7⁄8 02/15/23	⌵ ⓘ		Sr Unsecured	104	+0	100.192	2.846	BGN	14:11	98	—◆—●—	105	101	6
5) M 4 3⁄8 09/01/23	⌵ ⓘ		Sr Unsecured	113	+1	110.255	2.951	BGN	14:11	106	—◆—●—	116	110	7
6) M 3 5⁄8 06/01/24	⌵ ⓘ		Sr Unsecured	114	-1	104.622	3.029	BGN	14:11	111	—●—◆—	118	114	2
7) M 6.65 07/15/24	⌵ ⓘ		Sr Unsecured	149	-1	126.125	3.348	BGN	14:11	143	—◆—●—	151	148	6
8) M 6.9 04/01/29	⌵ ⓘ		Sr Unsecured	197	+1	130.976	3.989	BGN	14:11	190	—◆—●—	202	196	6
9) M 6.9 01/15/32	⌵ ⓘ		Sr Unsecured	208	+2	132.748	4.166	BVAL	10:00	194	—◆—●—	214	205	7
10) M 6.7 07/15/34	⌵ ⓘ		Sr Unsecured	198	-2	133.891	4.132	BGN	13:39	31	—◆—●—	200	185	5
11) M 4 1⁄2 12/15/34	⌵ ⓘ		Sr Unsecured	178	+0	106.886	3.983	BGN	14:11	170	—◆—●—	183	175	7
12) M 6 3⁄8 03/15/37	⌵ ⓘ		Sr Unsecured	189	+0	133.083	4.079	BGN	14:11	183	—◆—●—	191	187	3
13) M 5 1⁄8 01/15/42	⌵ ⓘ		Sr Unsecured	197	+0	114.502	4.208	BGN	14:11	187	—◆—●—	198	192	7
14) M 4.3 02/15/43	⌵ ⓘ		Sr Unsecured	185	-1	102.983	4.117	BGN	14:11	179	—◆—●—	189	184	4

ASSESSING CREDIT – MARKET VIEW

Fixed Income Credit Monitor

FICM <GO>

Markit CDS Index	Sprd	Chg(bps)	#SD	Δ/day	Sprd	Low	◆ Avg	● Now	High	Avg	3M Chg
10) CDX IG	63	+0	0.0			60			73	66	-3
● Chart View ● Range View											
Bond Sectors	OAS	Chg(bps)	T/W	ΔAVAT	NI (MM)	Low	Range	High	Avg	3M Chg	
All Cash Bonds	120.3	-0.9	2:1	-8.8%	3,754	111.9		128.3	119.9	2.1	
11) Energy	201.6	-4.2	3:1	-25.3%		188.2		222.5	204.9	4.7	
12) Communications	143.3	-1.0	2:1	+4.7%	2,000	135.7		149.9	143.0	3.8	
13) Financials (Sr)	89.6	-0.6	2:1	-13.0%	1,504	82.7		96.8	89.2	-0.1	
14) Financials (Sub)	159.1	-0.6	3:1	+14.5%		150.9		171.6	159.4	2.4	
15) Technology	87.3	-0.5	3:1	-18.7%		79.0		92.6	85.6	1.6	
16) Utilities	111.7	-0.4	2:1	+5.5%	250	99.1		115.0	106.9	2.3	
17) Consumer Disc.	105.7	-0.4	2:1	-17.3%		98.4		113.2	106.0	1.7	
18) Consumer Staples	93.5	-0.4	3:1	-23.4%		87.3		100.4	93.4	1.2	
19) Industrials	92.2	-0.3	2:1	+3.2%		85.5		93.7	89.8	3.2	
20) Health Care	98.2	-0.3	2:1	-2.9%		91.0		101.3	96.2	2.7	
21) Materials	173.9	+0.4	2:1	+30.8%		159.8		184.9	171.7	8.3	

ASSESSING CREDIT – THE GLOBAL MARKETS

Bloomberg CDX Screen

Markit Indices		Spread	Change	Spread	Basis	Roll	Low	Range	High	Avg	+/-	3M Chg
1) Americas								◆ Avg ● Now				
10) CDX Investment Grade	🔍	63.59	█ -0.23		-6.3	0.3	60.3		73.5	66.1	-2.5	+0.6
11) CDX High Yield	🔍	107.25*	█ +0.10		0.0	-1.1	104.9		108.1	106.6	+0.6	+0.2
12) MCDX	🔍	92.00	█ +0.00		N.A.	N.A.	87.0		94.0	90.1	+1.9	+11.0
13) CDX Latin America	🔍				N.A.	N.A.	N.A.		N.A.	N.A.	N.A.	N.A.
2) EMEA												
20) iTraxx Europe	🔍	56.85	█ +0.70		-0.2	6.0	47.9		66.9	55.9	+1.0	-1.8
21) iTraxx HIVOL	🔍				9.5	N.A.	N.A.		N.A.	N.A.	N.A.	N.A.
22) iTraxx Crossover	🔍	260.62	█ -2.20		-10.1	-1.1	249.7		367.3	295.1	-34.5	-70.0
23) iTraxx Sr Financial	🔍	67.59	█ +1.20		4.4	6.5	53.0		72.4	63.2	+4.4	+7.6
24) iTraxx Sub Financial	🔍	137.71	█ +0.85		7.3	9.7	122.5		165.5	138.6	-0.9	-2.5
25) iTraxx Corp CEEMEA	🔍				N.A.	N.A.	445.0		590.0	542.2	N.A.	N.A.
26) iTraxx SOVX W Europe	🔍	30.00	█ +0.00		N.A.	N.A.	30.0		35.0	32.3	-2.3	-5.0
27) iTraxx SOVX CEEMEA	🔍				N.A.	N.A.	N.A.		N.A.	N.A.	N.A.	N.A.
3) Asia												
30) iTraxx Japan	🔍	59.50	█ +0.00		-4.4	6.5	58.0		74.0	64.8	-5.3	-3.8
31) iTraxx Asia Ex Japan IG	🔍	112.00	█ +0.00		5.7	8.5	98.5		125.0	110.4	+1.6	+7.5
32) iTraxx Australia	🔍	90.46	█ -0.88		4.9	6.5	81.4		104.5	93.1	-2.6	-2.4
Emerging Markets												
40) CDX Emerging Market	🔍	90.26*	█ +0.29		2.9	2.3	86.9		90.3	88.3	+2.0	-1.3

ASSESSING CREDIT – TODAY'S MOVERS

Click 10 on the CDX <GO> Screen

Movers Today						Historical Range 3 Months					
N	Name (5Y CDS)	Spd (Ask)	Change	#SD	Low	Avg	Now	High	Avg	+/-	3M Chg
Best Performing											
101)	Gap Inc/The	88.07	-8.55	-1.7	88.1			117.6	99.0	-11.0	-29.5
102)	Verizon Communi...	46.65	-2.97	-0.5	46.6			67.6	59.4	-12.7	-20.0
103)	21st Century Fox ...	38.78	-2.97	-1.2	36.4			48.0	40.3	-1.5	-9.2
104)	Ford Motor Co	90.58	-2.72	-0.4	90.6			120.2	105.1	-14.5	-29.6
105)	CarnivalCorp	70.86	-2.64	-0.6	62.3			79.6	71.2	-0.3	+1.1
106)	Avon Products Inc	301.86	-2.48	-0.1	244.0			325.2	276.6	+25.2	-23.4
107)	Starwood Hotels ...	56.13	-1.98	-1.3	54.5			62.3	57.9	-1.8	-6.2
108)	Computer Science...	79.28	-1.97	-0.2	73.4			105.7	83.2	-3.9	-26.5
109)	Macy's Inc	68.66	-1.95	-0.7	64.7			77.3	69.9	-1.2	-8.6
110)	Time Warner Inc	41.20	-1.82	-0.8	40.5			50.7	44.3	-3.1	-9.5
Worst Performing											
111)	Cardinal Health Inc	40.96	+2.63	+1.7	34.2			41.0	37.3	+3.7	+4.8
112)	AT&T Inc	61.15	+2.81	+0.5	55.8			77.5	66.1	-5.0	-16.4
113)	Boston Scientific ...	67.48	+2.81	+1.1	64.5			74.7	68.8	-1.3	-4.7
114)	Eastman Chemica...	72.82	+2.97	+0.8	68.2			83.3	74.0	-1.1	-10.5
115)	Dow Chemical Co...	71.82	+3.14	+1.3	67.7			79.3	71.9	--	-6.9
116)	Alcoa Inc	173.26	+3.47	+0.6	157.3			186.6	172.1	+1.2	-13.4
117)	EI du Pont de Ne...	45.71	+3.64	+2.0	37.7			45.7	41.4	+4.3	+3.4
118)	CBS Corp	70.28	+3.64	+1.1	54.8			70.3	62.0	+8.3	+2.3
119)	Nabors Industries...	107.07	+4.20	+0.4	103.7			147.3	119.6	-12.6	-40.2
120)	Safeway Inc	328.50	+6.16	+0.2	218.6			349.1	307.1	+21.4	+108.2

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