



FIDELITY INTERNATIONAL 2007 GLOBAL CREDIT OUTLOOK: “CALM CONDITIONS WITH SHOWERS ON THE HORIZON”

London, 14 February 2007: The global credit market remains strong in 2007, with good corporate fundamentals, but bond investors will need quality research to generate returns and steel themselves for future storms. These are the conclusions of **David Meade, Head of Credit Research at Fidelity International**, as he delivers his outlook for 2007.

Mr Meade says, “Overall, the credit environment is relatively benign for bond investors in 2007. The stability in the market is supported by four pillars: a benign macro-economic environment, healthy corporate fundamentals, reasonable equity valuations and strong demand for credit. I can see few signs that these will tail off significantly in 2007.

“Moreover, we’re still seeing issuers of non-government debt following relatively conservative management practices. However, this could change later in the credit cycle. Although credit quality is solid, risks such as merger and acquisition activity or leveraged buyouts are increasing, but these practices are not yet as widespread as we saw at the height of past credit cycles. Given this generally supportive environment, the probability of wholesale weakening of fundamentals is low.”

Mr Meade continues, “This year is therefore shaping up as a repeat of 2006 – a “flat” year where credit outperformed government debt mainly through careful selection of bonds with higher yields, and more potential risk. Our analysts are therefore looking deeper and further afield for trading and investment ideas, unearthing some particularly attractive opportunities in the Eastern European banking sector, for example.

“Looking further ahead, the chances of an immediate bear market in credit are small. We expect default rates to stay low by historical standards this year. We last saw a credit downturn in 2000/2002 when weak economic conditions, the effects of so-called “irrational exuberance” and overvalued equities provided an unsupportive backdrop. We don’t have these elements this time yet, although we do have a potentially vulnerable housing market, and UK pension deficits are adding to corporate funding needs. There

are overhanging threats of increased M&A and LBO activity which are not going to disappear soon but they tend to be more name and sector specific. Whilst we may see more of these negative factors materialising to greater effect in 2008/2009 the outlook generally for fundamentals in 2007 is for calm conditions with the odd shower on the horizon.”

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Notes to editors:

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