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Global

Update

Global Cross-Asset Strategy

Sovereign Credit

Greece: Deal or No Deal?

Investors are left in the prisoner's dilemma. The task is challenging for Greece, but success is not out of reach. A PSI failure could imply severe losses across the bond curve, particularly in the front end. We value the risk/reward of the four options and assess investment strategies before and after the PSI, analyzing both successful and less favorable scenarios.

The 'deal risk trade' before the PSI. More than just valuation considerations of the new options, all eyes will presumably be on the anticipated participation rate in the next weeks. The market will likely be trading the deal risk, expressing expectations about the success or failure of the transaction and reflecting the probabilities investors attach to these two outcomes.

The stake is high… If the PSI falls through, it could also mean that the second bailout package does not go ahead. The probability of a near-term 'hard' restructuring would increase considerably and Greece could be required to proceed with up to 65% of principal reduction, causing severe losses for investors across the whole curve and particularly in the front end.

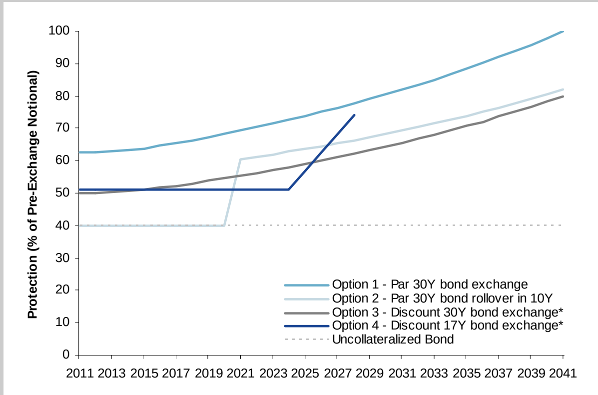
…but a positive outcome is not out of reach. Although the dual 90% target participation rate looks very challenging, the higher NPV of the transaction due to the recent market sell-off altogether with political moral suasion on regulated investors should help Greece implement the PSI.

From the holdout trade to the participation trade. Investors with a positive view on the transaction may turn their attention away from the holdout strategy due to the stringent conditionality on the PSI. Their focus is likely to shift towards the 'participation trade' instead, buying the cheapest-to-deliver bonds in the belly of the curve.

On deal success, option 1 (30y par bond) offers the best value, followed by option 4 (17y discount) and option 3 (30y discount). Option 2 (30y par obtained in a rollover) is the least attractive, in our view. This is a shift in our view, as the final details of the exchange make it clear that option 4 offers less favorable protection profile than suggested by the IIF proposal.

Exhibit 1

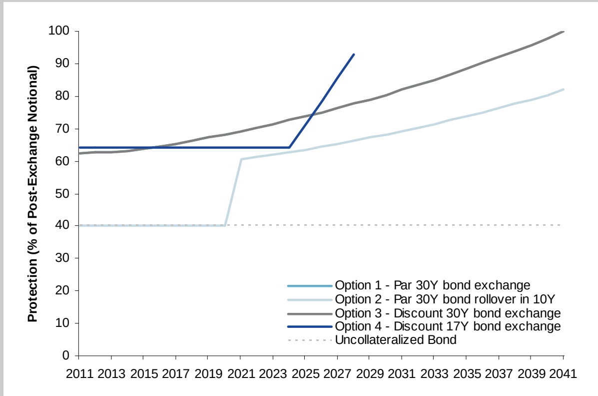
Investors Likely to Favor Option 1 in the PSI…



Option 3 and 4 are adjusted for the 20% principal reduction. The chart illustrates the total principal payout in an acceleration scenario, assuming 40% recovery rate in all options.
Source: Morgan Stanley Research

Exhibit 2

…but Become Neutral in the Secondary Market



The chart illustrates the total principal payout in an acceleration scenario, assuming 40% recovery rate in all options.
Source: Morgan Stanley Research

Key Takeaways:

- **Strategy on the existing bond curve:** Uncertainty on the PSI success due to high target participation rates and low 'sweeteners' could keep selling pressure on the front end (i.e., March 2012). Investors with shorter time horizon are likely to shift their focus from holdout strategies to participation trades. However, March 2012 is set to find a floor at current levels, as its NPV related to the PSI transaction has become positive from negative. Risk: A failure of the PSI will increase the probability of up to 65% principal reduction with severe potential losses across the whole curve;
- **Strategy on the PSI transaction:** Buy cheapest-to-deliver (long-dated, low/zero coupon) and choose option 1. Risk: It is unclear if the participation to the PSI is limited to holdings as of June 30, 2011;
- **Strategy on the new collateral bond curve:** Yield differential between the existing bond curve and the new collateralized one (i.e., about 300bp in the 30y sector) is set to decrease. This makes it likely the new securities would trade at lower (than 79) price in the secondary market. The 17s30s curve slope is likely to resume a bull-steepening trend, after an initial bear inversion driven by technicals, if the PSI were to materialize successfully;
- **We downgrade option 4 (17y discount bond)** to second best, as its protection profile looks less attractive of what was suggested in the IIF proposal;
- **Option 1 (30y par bond) offers the best protection** profile in the PSI, followed by options 4 and 3 (30y discount bond). Option 2 (30y par bond) remains the one with the least attractive risk/reward profile;
- With regards to secondary market trading **after the PSI transaction, options 1, 3 and 4 seem equally attractive**, while option 2 still looks unattractive;
- **Option 3 is the most sensitive to yield moves,** followed by options 1 and 4; we expect option 2 to behave in line with option 1;
- **Implementation risks could have adverse consequences:** If the PSI transaction falls through due to the high required participation rate, Greece may not receive the second bailout package. This could increase the probability of a near-term 'hard' restructuring and result in a principal reduction of up to 65%. We estimate potential losses on GGBs.

General Details of the Transaction

Which are the eligible securities? Eligible bonds are those maturing up to December 2020, dismissing earlier headlines that the deliverable bonds would be extended up to 2024. Although the prospectus is using the term GGBs for the eligible securities, not only local law Greek bonds, but also international law sovereign bonds and Hellenic Railways paper are deliverable. Altogether this amounts to roughly €200 billion of notional amount. The individual bonds are listed in the back of the term sheet.

Who can participate? The text refers to participants as 'regulated institutions within their jurisdiction' or 'private sector holders', suggesting that all bondholders with the exception of the ECB will be able to participate. This is reinforced by the fact, that taking into account that the ECB holdings are in the range of €50 billion and using the 90% 'success criteria', we arrive at the €135 billion number that was the headline number of the IIF proposal. The latest details stress the voluntary nature of the transaction.

Target participation rate. The terms of the liability management transaction set out a dual conditionality for a successful transaction. Not less than 90% of all eligible bonds should be tendered, including 90% of that portion maturing before the end of August 2014. If any of the two criteria is not met, Greece could decide not to proceed with the transaction.

The New Securities

General characteristics of the new bonds. Each of the new bonds are unsecured and unsubordinated, issued under English law, will be listed on an EU regulated market and are expected to be ECB eligible. The instruments have negative pledge, cross default and collective action clauses.

Participants can choose between freely tradable bonds or bonds with restricted trading (for 10 years in case of options 1-3, for 5 years for option 4). At this point, we do not see much value in choosing the restricted trading option. From an accounting perspective, banks will need to take losses when the transaction takes place and they are not exposed to mark-to-market risk in their hold-to-maturity books during the life of the bonds. Hence, in our view, investors are better off retaining the option to sell the bonds on to the secondary market at any point in time.

Bond specific details. The main features of the different options are summarized in Exhibit 3.

Exhibit 3

Main Features of the Four Options

	Option 1	Option 2	Option 3	Option 4
Structure	Par	Par	Discount	Discount, sinking fund
Transaction type	Exchange	Future Committed Financing	Exchange	Exchange
Coupon	Step-up	Step-up	Step-up	Fixed
Maturity	30Y	30Y	30Y	17Y
PV on Issue Date	79	79	79	79
Principal Defeasance at Maturity (% of new notional)	100%	100%	100%	40%

Source: Morgan Stanley Research

Some additional specific details that have been clarified:

- For options 1-3, we highlight that the collateral will remain in trust until maturity, even in the event of acceleration.
- Those choosing the second option make an irrevocable and unconditional commitment at the time of the exchange. The coupon of the Rollover Bonds issued before the end of September 2014 will be known at the time of the exchange, while Rollover Bonds issued after this date will be priced on their respective issue dates.
- In option 2, financing is provided to Greece at the beginning of the calendar quarter, when the eligible bond matures, in either of two ways: purchasing new bonds or making cash advance to Greece. The decision needs to be made at the time of the exchange.
- The IIF proposal suggested to us that the collateral for option 4 would be cash. Based on the more detailed term sheet, the collateral will be AAA rated bonds, paying a floating interest at a spread over the 3M Euribor rate. The interest earned will be received by Greece, but the sovereign does not have any residual interest in the collateral assets.
- There is a limited eligibility for participation in option 4 as only bonds maturing before January 2014 can be delivered and the issued amount cannot exceed 25% of all the new bonds.

What to Deliver, What to Receive?

In this section, we look at the debt exchange mainly from a valuations perspective. Investors participating in the exchange can potentially face two decisions: which bond(s) to deliver and which option(s) to choose.

Can investors really make a decision about which bond(s) they deliver? The short answer is that it is unclear from the details we know at this point. Considering that the wording of the paper refers to an enquiry about securities “held by regulated institutions within their jurisdiction as of 30 June 2011”, several questions arise. If we assume that investors can only tender those bonds and in that amount that they held at the end of June, there is no room for maneuver. If only the amount of holdings as of that date matters, investors can make switches in favor of cheapest-to-deliver bonds. Provided that the information is used only for indicative purposes by the Greek authorities, investors may be able to buy further bonds that are attractive from a valuations perspective when tendered into the exchange.

Longer-dated, lower coupon bonds are the cheapest to deliver (CTD), specifically GGB 3.6% 2016 among the largest issues. Most of the 81 bonds that are listed in the term sheet trade at a significantly lower price than the 79% NPV set out for the new bonds in the term sheet. The majority of these trade at such a discount, in our view, that the debt exchange can result in a positive NPV even if the new bonds were to trade at a much higher stripped yield on the secondary market. Investors, who can buy the cheapest-to-deliver bonds and participate in the exchange, can potentially realize a reasonable upside. The CTD bonds are those with longer maturity and lower or zero coupon. We looked at all eligible bonds with larger than €2 billion issued amount and found that GGB 3.6% 2016 has the lowest cash price (see Exhibit 4).

Option 1 (30y par bond) offers the best value, followed by option 4 (17y discount) and option 3 (30y discount). Option 2 (30y par obtained in a rollover) is the least attractive, in our view. This is a shift in our view from our previous report (see *Greece After the Second Bailout: Policy Options and Investment Implications*, July 25, 2011). In fact, the final details offered by the exchange term sheet makes it clear that option 4 offers less favorable protection profile than suggested by the IIF proposal.

Exhibit 4

GGB 3.6% 2016 Is the CTD among Large Issues

Nr.	Bond	Issued Amount (EUR bn)	Price (mid)	PSI NPV (9% Yield)
1	GGB 3.9 20-Aug-11	6.8	100	79
7	GGB 4.3 20-Mar-12	14.5	74.0	79
9	GGB 5.25 18-May-12	8.1	71.7	79
12	GGB 4.1 20-Aug-12	7.8	67.1	79
15	GGB 0 22-Dec-12	2.0	60.9	79
17	GGB FRN 20-Feb-13	5.8	54.1	79
20	GGB 4.6 20-May-13	9.1	58.0	79
21	GGB 7.5 20-May-13	2.5	63.3	79
26	GGB 4 20-Aug-13	6.0	55.0	79
29	GGB 6.5 11-Jan-14	4.6	53.7	79
31	GGB 4.5 20-May-14	8.5	51.5	79
35	GGB 5.5 20-Aug-14	12.5	50.7	79
37	GGB FRN 04-Feb-15	2.0	49.8	79
40	GGB 3.7 20-Jul-15	9.6	49.7	79
41	GGB 6.1 20-Aug-15	8.0	51.3	79
47	GGB FRN 11-Apr-16	5.6	64.3	79
50	GGB 3.6 20-Jul-16	8.0	49.5	79
58	GGB FRN 04-Apr-17	5.0	55.7	79
59	GGB 5.9 20-Apr-17	5.0	50.8	79
63	GGB 4.3 20-Jul-17	12.0	50.9	79
68	GGB FRN 05-Jul-18	2.1	61.8	79
69	GGB 4.6 20-Jul-18	8.0	50.1	79
76	GGB 6 19-Jul-19	15.5	51.8	79
78	GGB 6.5 22-Oct-19	8.4	51.9	79
80	GGB 6.25 19-Jun-20	5.0	51.8	79

The sequential numbers in this table are related to the list of eligible bonds in the exchange term sheet. We selected only bonds with at least €2bn of outstanding.
Source: Bloomberg, Morgan Stanley Research

The total protection value for option 4 is different from what was suggested in the IIF proposal. Additional details in the new term sheet made it clear that the protection mechanism is rather complex and different from what was suggested by the IIF proposal. Bondholders can receive a protection value from the collateral, covering 80% of their losses (where loss is defined by 100 minus the Final Price determined by an ISDA CDS auction), capped at the value of the market value of the collateral (or at 40 if the collateral value is below par). Additional claim on Greece is only on 60% of the outstanding principal (and any potential make-whole claims). It is important to note here that the recovery value determined by ISDA in the CDS auction can, and most probably will, be different from the one realized on the claims on the remaining principal.

We also note that option 4 gives protection for a broader range of credit events based on the latest details, but we do not assign high value to this additional feature. Unlike other options, option 4 provides protection against a soft credit event (restructuring) that triggers CDS but does not constitute a default. Such soft credit events could be triggered by, for example, changing the governing law of the bonds or subordinating them to future borrowings so that these are binding to all bondholders (see *Sovereign CDS: Credit Event and Auction Primer*, May 31, 2011). However, it is worth highlighting that "early release of trust assets" in a situation of "early release trigger event" would imply a reduction of the remaining collateral. Therefore, the value of protection for broader range of credit events may not be very high, as there are few cases where CDS is triggered without subsequent acceleration, on one hand, and the total protection of option 4 will remain 40% of the new principal, on the other hand.

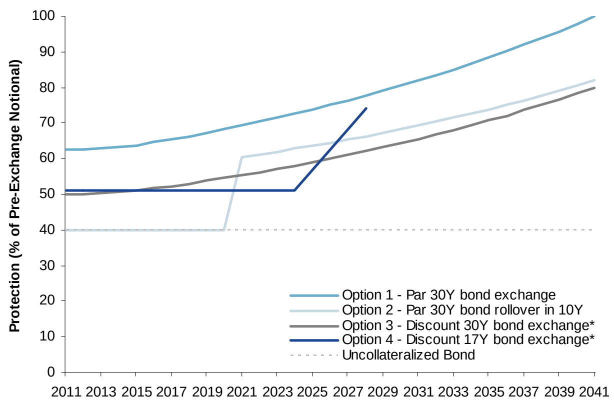
Risk-reward is not favorable for option 2. According to the IIF proposal, option 2 implied a rollover of old Greek bonds into a 30y par bond at maturity. The exchange term sheet refers to "committed financing facility" and the concept of rollover appears only in the name of the new securities (i.e., "rollover par bonds"). Investors will commit themselves to refinance Greece at the beginning of the calendar quarter in which the eligible bond expires. Two options are available: a) purchasing new bonds, and b) making cash advance with same conditions as in option a). Alternative b) seems to be a loan (instead of a bond transaction), and it could be justified by accounting issues, in our view.

Option 2 has an unattractive risk-reward profile, as investors seem to run pure Greek risk for longer, without the related upside. Furthermore, investors who bought Greek bonds in the primary market would keep receiving coupons on old GGBs which are on average lower than the new securities, having the same loss of investors who decide for option 1 in the future. Accounting rule may justify this option, as it gives the possibility to spread the loss over time.

Can option 2 allow investors to temporarily reduce exposure to Greece? As the exchange term sheet refers to committed financing facility, instead of a rollover, some could interpret option 2 as an opportunity to reduce the spot credit risk (i.e., selling the eligible GGBs, in case of market rally post PSI), retaining a forward exposure to Greece (i.e., irrevocable and unconditional commitment to finance Greece). Unfortunately, we do not have enough information at this point to either confirm or reject this interpretation. Therefore, we stick to the rollover concept introduced by the IIF proposal. Particularly so, if we consider that many investors are not inclined to crystallize near-term losses.

Exhibit 5

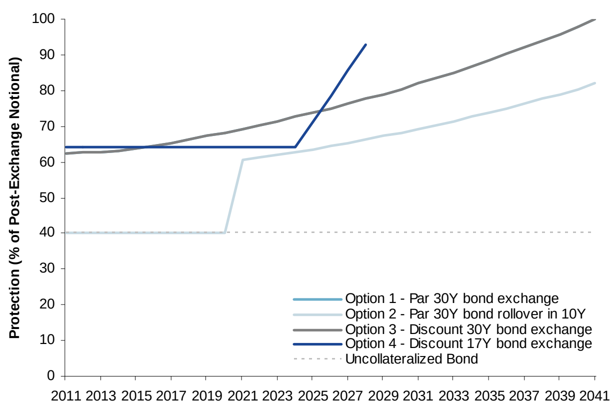
PSI Transaction: Best Protection Profile in Option 1, Followed by 4 and 3; Option 2 Looks Unattractive



*Options 3 and 4 are adjusted for the 20% principal reduction. The chart illustrates the total principal payout in an acceleration scenario, assuming 40% recovery rate in all options.
Source: Morgan Stanley Research

Exhibit 6

Secondary Market: Options 1, 3 and 4 Equally Attractive; Option 2 Unattractive



The chart illustrates the total principal payout in an acceleration scenario, assuming 40% recovery rate in all options.
Source: Morgan Stanley Research

Relative attractiveness of the different options could change in line with the credit and market risk of the underlying collateral. Since the collateral in option 4 consists of securities, market and credit risks are important factors to take into account. While the IIF proposal suggested that the maximum level of protection from the collateral in option 4 was 40% of the new principal amount, the additional information on the collateral implies that the cap on the protection is a moving target, as it is a function of the credit spreads of the underlying bonds. If the collateral assets rally, bondholders can realize the upside and essentially increase the size of the collateral protection. However, the downside is limited as Greece will need to make whole for the residual amount, should the price of the collateral bonds be below par when some or all of the collateral is released (early release due to a credit event, acceleration or maturity).

Although this is by and large applicable to the other options as well, options 1-3 have identical collateral and hence their protection profile relative to each other does not change. The defeasance assets in the fourth option are however different, especially from our initial expectations; therefore, the relative attractiveness could change somewhat with the moves in the underlying markets until the transaction.

It is worth highlighting that, as a result of the recent fall in core yields, the initial level of protection in options 1-3 has increased, while the pace of accretion has decreased. This is positive for investors involved in the PSI; less so for Greece, as this implies an increase of collateral funding costs.

Probability of Success of the PSI

Although the dual 90% target participation rates look very challenging, the higher NPV of the transaction due to the recent market sell-off altogether with political moral suasion on regulated investors should help Greece implement the PSI. According to the *Financial Times*, the latest indication of participation rate is about 70% of the eligible debt; therefore, there is still some work to be done in order to achieve the target. However, it is worth highlighting that last week's headlines of possible broadening of the eligible bonds bucket to 2024 did not materialize. This could hint at the fact that Greece is either confident to convince investors to participate in line with the 90% target, or willing to proceed with somewhat lower participation rates.

The high participation target is part of the strategy to achieve a high take-up. The 90% participation thresholds look very strict and some interpret it as a warning that Greece may not implement the PSI. However ambitious the 90% looks, it is not the first time in history that we see this. In fact, Uruguay managed to achieve a very high participation rate in its 2003 restructuring by setting a similarly high target and leaving investors in the prisoner's dilemma. However, this strategy alone may not be enough to convince everyone to participate, as some investors may have expected more 'sweeteners' (e.g., GDP warrant) than the principal collateral of the new bonds. In Uruguay's case, a combination of the use of exit consents to change the non-payment terms of the old bonds and regulatory incentives contributed to the high participation rate.

Near-Term Implications on the Secondary Market

The 'deal risk trade' before the PSI. In the prelude to the implementation of the liability management transaction, all eyes will most likely be on the anticipated participation rate. Market sentiment and risk-reward assessment is expected to be driven by investor expectations about the success or the failure of the PSI. The 'deal risk trade' in the next weeks will reflect the probabilities investors attach to these two outcomes, in our view.

From the holdout trade to the participation trade. Should the PSI fall through, we expect the Greek curve to suffer, with the heaviest potential losses on the front end. We think that investors with a positive view on the transaction will turn their attention away from the holdout strategy due to the stringent conditionality on the PSI and will focus on the 'participation trade' instead, buying the cheapest-to-deliver bonds in the belly of the curve (provided that participation to the PSI is not strictly bound to investors' holding as of June 30, 2011). We estimate that the holdout strategy will only be possible for a limited number of investors as only €5-10 billion of bonds can be held out to meet the 90% target participation rate in the short-dated bonds bucket. However, we cannot rule out that the PSI will also go ahead with somewhat lower participation rate, increasing the margin for maneuver in terms of holdout strategies in the front end.

Risk to the holdout strategy: Interestingly, GGB August 20, 2011 is included in the list of eligible bonds in the exchange term sheet. It is not clear how this (already paid) bond will be treated. If August 20, 2011 will be considered as holdout, this will present a big risk for the achievement of the 90% of participation rate in the 2011 – August 2014 bucket, in our view.

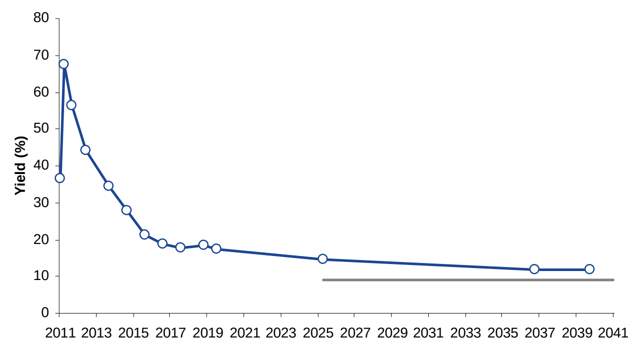
The market after a successful PSI: new opportunities with the new bonds. There are a few questions that arise with regards to the secondary market trading of the new bonds. As we mentioned, we do not see much value in the restricted trading options; hence, we believe that we will see liquid trading of the new instruments on the secondary market.

But where do we expect yields to go? If we compare the 9% stripped yield that is used to calculate the price of the new instruments in the term sheet to the existing GGB yield curve (see Exhibit 7), even at the long end there is almost 300bp difference.

Since the underlying risk is the same in both cases, we think that the uncollateralized curve and the collateralized stripped yield curve should converge. In presence of a successful PSI, we would expect a near-term bull market in Greek bonds, as a result of the improvement in the public debt profile. It is more difficult to predict the direction of the medium-term corrective move, as it can also be driven by the broader risk sentiment; hence, we focus on the sensitivity of each bond to assess the impact of the moves.

Exhibit 7

Existing GGB and the New Stripped Yield Curve



Source: Morgan Stanley Research

Option 3 is the most sensitive to yield moves, followed by option 1 and option 4 (see Exhibit 8). Option 3 is a 30y bond and due to its discount nature it has a high coupon and a high cash price. Although the high coupon shortens duration somewhat, this option has the highest price sensitivity among all options. Option 1 has lower coupon and, as a par bond, significantly lower cash price. The latter is enough to ensure a lower duration and price sensitivity to changes in the Greek yield curve. Bonds offered in option 2 will be similar to option 1 with differences in their coupon rate and maturity date. Without knowing the exact details of the bonds, we can only estimate that its duration will be similar to option 1. Option 4 is by far the shortest dated and it is also a sinkable fund; therefore, despite its high cash price and partially risky principal, it is the least yield sensitive of the four options.

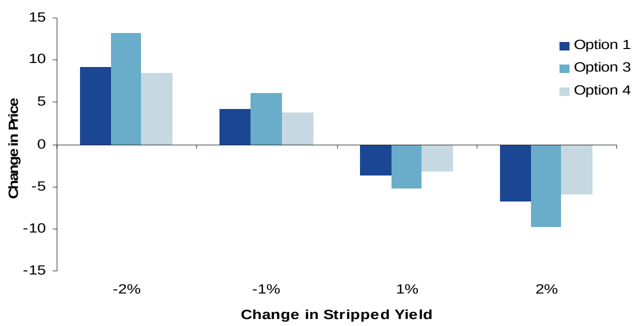
Reassessing our new bond 17s30s steepener after the latest details. As we highlighted earlier, option 4 is less attractive in light of the latest details than we anticipated before, which makes us reassess the previously highlighted steepening bias of the new collateralized curve. Nevertheless, in a sustained bullish environment or credit-healing scenario, we still think that the new curve is likely to bull-steepen, in line with the uncollateralized curve.

Considering that the level of protection (see Exhibit 6) is similar for the 30y and the 17y bonds, the collateralized curve could invert to a certain extent in a bearish scenario.

We expect the 17s30s collateralized curve slope to resume a bull-steepening trend, after an initial bear inversion driven buy technicals, if the PSI were to materialize successfully.

Exhibit 8

Option 3 Is the Most Sensitive to Yield Moves



Price and yield changes relative to the initial 9% stripped yield.
Source: Morgan Stanley

Collateralized-uncollateralized spread is a bet on the Greek credit. As we highlighted in our previous note (see *Greece After the Second Bailout: Policy Options and Investment Implications*, July 25, 2011), relative value between the old and the new bonds is largely a factor of the Greek credit spreads.

Implementation Risks and Possible Restructuring Implications

Meeting the participation criteria is key. The language has shifted somewhat from the IIF proposal, in our view, and there is clearly more emphasis on the 90% participation rate in two different maturity buckets. If any of the two criteria is not met, Greece could decide not to continue with the transaction. If the PSI falls through, it could also mean that the second bailout package does not go ahead. Officials have worked out their numbers backwards: they started with Greece's estimated funding needs; then they agreed on the burden sharing between official lenders and investors (PSI). So if PSI is less effective than expected, then, either Europe increases its financial commitment or Greece will have to face a credit event at some point.

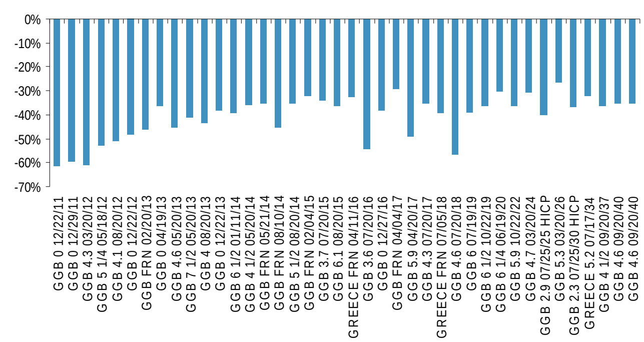
As per our previous analysis, Greece would regain a sustainable debt path if Total Public Debt/GDP would go to about 90%. This figure would also be politically feasible, in our view.

We have highlighted in July that a successful PSI would imply a considerable liquidity relief, while the medium-term debt sustainability challenge was set to stay. In fact, we concluded that, even after the PSI, a medium-term risk of further principal reduction (i.e., up to 55% starting from 2013) was still on the cards.

What if the PSI does not materialize? The probability of a near-term 'hard' restructuring would increase considerably and Greece could be required to proceed with a principal reduction up to 65%, implying severe losses for investors across the whole curve and particularly in the front end (see Exhibit 9). We come to this conclusion using the debt sustainability framework outlined in our previous publication (see *Greece After the Second Bailout: Policy Options and Investment Implications*, July 25, 2011) and applying our base case macro assumptions before the second bailout package was announced.

Exhibit 9

65% Principal Reduction Would Imply Severe Losses



Figures are shown as a percentage of current market value.
Source: Morgan Stanley Research

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Global Stock Ratings Distribution

(as of July 31, 2011)

For disclosure purposes only (in accordance with NASD and NYSE requirements), we include the category headings of Buy, Hold, and Sell alongside our ratings of Overweight, Equal-weight, Not-Rated and Underweight. Morgan Stanley does not assign ratings of Buy, Hold or Sell to the stocks we cover. Overweight, Equal-weight, Not-Rated and Underweight are not the equivalent of buy, hold, and sell but represent recommended relative weightings (see definitions below). To satisfy regulatory requirements, we correspond Overweight, our most positive stock rating, with a buy recommendation; we correspond Equal-weight and Not-Rated to hold and Underweight to sell recommendations, respectively.

	Coverage Universe		Investment Banking Clients (IBC)		
Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category
Overweight/Buy	**1107**	**40%**	**451**	**48%**	**41%**
Equal-weight/Hold	**1136**	**41%**	**372**	**40%**	**33%**
Not-Rated/Hold	**114**	**4%**	**20**	**2%**	**18%**
Underweight/Sell	**384**	**14%**	**97**	**10%**	**25%**
Total	**2,741**		**940**		

Data include common stock and ADRs currently assigned ratings. An investor's decision to buy or sell a stock should depend on individual circumstances (such as the investor's existing holdings) and other considerations. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months.

Analyst Stock Ratings

Overweight (O). The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.
Equal-weight (E). The stock's total return is expected to be in line with the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.
Not-Rated (NR). Currently the analyst does not have adequate conviction about the stock's total return relative to the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Underweight (U). The stock's total return is expected to be below the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.
Unless otherwise specified, the time frame for price targets included in Morgan Stanley Research is 12 to 18 months.

Analyst Industry Views

Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.
In-Line (I): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.
Cautious (C): The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.
Benchmarks for each region are as follows: North America - S&P 500; Latin America - relevant MSCI country index or MSCI Latin America Index; Europe - MSCI Europe; Japan - TOPIX; Asia - relevant MSCI country index.
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