

**For Immediate Release**

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**Greek debt restructuring not the most likely option, says Western Asset**

**Singapore – 14 June 2010** – Fixed income manager Western Asset continues to believe that the positive cyclical momentum behind the global economic recovery will be sufficient to support price appreciation in corporate bond markets. The investment-grade corporate financial subsector is trading cheap to industrials and utilities, and continues to benefit from balance sheet repair, improving asset quality and more bond holder-friendly managerial strategies.

“Issue selection is critical. Our overweight to investment-grade corporate debt is built with a clear focus on large and globally diversified financial institutions. We look to continue moving up the capital structure into the most senior issues as opportunities arise. Similarly, in those accounts that permit high-yield corporate exposure, we are running a program to gradually move up the quality spectrum,” said Mike Zelouf, director of international business at Western Asset.

While prices were recently dampened by a barrage of new issuance, dealer inventory is now low and even modestly positive surprises could result in significant price appreciation. The big source of uncertainty remains the stability of the eurozone and the strains this places on the European banking system. Western Asset anticipates this will become an ongoing source of uncertainty and is therefore giving priority to diversifying strategies that can offset losses from further rises in risk aversion. U.S. duration is at the top of the list given the safe-haven status of the U.S. dollar and the tendency for U.S. Treasury yields to decline in response to rising uncertainty. However, duration will be managed tactically between currency blocs depending on market movements.

On the situation in Greece, Zelouf believes that debt restructuring is not the most likely option for the time being.

“First, debt holdings are too interconnected and the restructurer would face serious political pushback. Second, debt restructuring would be damaging to the restructurer. There remains an incentive to avoid restructuring for at least the next few years,” he said.

Western Asset is maintaining a substantial short position to the euro which will be managed tactically, covering the short as the euro weakens and re-implementing on strength. The firm is also targeting underweight positions to the European periphery, covered partially by a neutral to modestly overweight position in Greece, where prices already fully reflect challenging fundamentals.

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**Note to Editors**

**About Western Asset**

Western Asset is one of the world’s leading fixed income managers with over US\$482.2 billion (December 31, 2009) under management. With offices in the United States, London, Tokyo,

Singapore, Hong Kong, Melbourne and Sao Paulo, the company offers clients a full range of local and cross-border fixed income products. By devoting all of its resources to fixed income, Western Asset can provide a full commitment to clients in every area. This focused approach has generated positive long-term returns in a variety of products with varying risk disciplines. Western Asset's long performance track record and global presence has positioned the company to continue its commitment to excellence in fixed income investment management and client service.

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