This morning, European financials led their market lower. Irish and Portuguese 10- and 2-year bonds continue to be punished with yields minting new highs.

- Clearly, there is discomfort in the market.
- You should know the names of the most risky banks, as defined by the cost to protect their debt via a credit default swap – see link.
  - Allied Irish Banks PLC is on first - Figure 1.
  - Alpha Bank AE is on second - Figure 2.

- We care, greatly, when “too interconnected to fail” banks, like Bank of America, mimic the woe of their weaker fallible brethren. This was the case between May and June. Importantly, this is not the case now – Figure 3.
  - Do not take this as an endorsement for Bank of America. It is one of the most consistently underperforming bank stocks in the market – Figure 4.
- Diversified Banks overall, have improved to a top-decile position.
  - The most consistently outperforming bank stocks tend to be incorporated in Chile, India, Colombia, Hong Kong, the Philippines, Taiwan and Malaysia.
  - They are generally not U.S. or European.
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<table>
<thead>
<tr>
<th>Rating Category</th>
<th>BMO Rating</th>
<th>BMOCM US Universe*</th>
<th>BMOCM US IB Clients**</th>
<th>BMOCM US IB Clients***</th>
<th>BMOCM Universe****</th>
<th>BMOCM IB Clients*****</th>
<th>Starmine Universe</th>
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<tbody>
<tr>
<td>Buy</td>
<td>Outperform</td>
<td>37.1%</td>
<td>13.7%</td>
<td>43.6%</td>
<td>40.9%</td>
<td>51.0%</td>
<td>54.4%</td>
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<tr>
<td>Hold</td>
<td>Market Perform</td>
<td>59.3%</td>
<td>10.4%</td>
<td>52.7%</td>
<td>54.8%</td>
<td>45.4%</td>
<td>40.2%</td>
</tr>
<tr>
<td>Sell</td>
<td>Underperform</td>
<td>3.6%</td>
<td>11.8%</td>
<td>3.6%</td>
<td>4.3%</td>
<td>3.6%</td>
<td>5.4%</td>
</tr>
</tbody>
</table>

* Reflects rating distribution of all companies covered by BMO Capital Markets Corp. equity research analysts.
** Reflects rating distribution of all companies from which BMO Capital Markets Corp. has received compensation for Investment Banking services as percentage within ratings category.
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Und = Underperform - Forecast to underperform the market;
(S) = speculative investment;
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Relative Strength Filter

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