

# Credit Market Overview



As at 31 October 2023

Measure	Level	1 Month	3 Month	6 Month	12 Month
<b>Cash Spread/Yield Changes</b>					
Global IG Corp YTW (%)	5.86	0.20	0.67	0.97	0.29
Global IG Spread (bps)	142	7	15	-7	-40
Global HY YTW (%)	9.99	0.53	1.06	0.77	-0.04
Global HY Spread (bps)	521	40	59	-31	-74
<b>CDS Index Spread Changes</b>					
CDX IG	80	6	17	4	-11
CDX HY	517	36	108	51	-4
CDX EM	228	2	37	-9	-68
iTraxx Main	86	6	18	3	-28
iTraxx Xover	450	22	70	15	205
Sub Fin CDS	98	8	21	0	-25
<b>Cash Index Performance (%)</b>					
Global IG Corp Index		-1.04	-3.27	-3.43	4.13
Global HY Index		-0.88	-2.10	1.26	9.06
Global EM USD Index		-1.48	-4.88	-3.06	6.91
<b>Higher Beta Sub Sector Performance (%)</b>					
Banks AT1		-0.04	-1.43	5.29	3.32
Energy HY		-0.50	-0.46	1.74	7.44
EUR Corp Hybrids		0.07	0.02	2.31	6.82
Leveraged Loans		0.02	1.99	5.32	11.95
<b>IG Sub Sectors Performance (%)</b>					
Banks Senior		-0.97	-3.11	-3.04	3.93
Energy IG		-1.74	-5.17	-5.73	3.39
Auto		-0.59	-2.40	-2.22	4.30
Utility		-2.59	-6.76	-8.54	1.23
Communications		-2.31	-6.53	-7.66	2.30
Airline		-1.11	-1.69	-0.75	5.98
Retail		-2.12	-6.12	-7.30	1.48
<b>Currency (Hedged) Performance (%)</b>					
Bloomberg USD Corp		-1.87	-5.23	-5.90	2.77
Bloomberg GBP Corp		-0.25	-0.42	-1.80	3.34
Bloomberg Euro Corp		0.40	-0.30	0.47	3.96
<b>Maturity Bucket Performance (%)</b>					
Short (1-3 Yr)		0.23	0.35	0.72	4.17
Intermediate (5-10 Yr)		-1.72	-4.82	-5.65	2.96
Long		-4.20	-11.01	-12.27	0.50
<b>Global IG Corp Index Attribution (%)</b>					
Carry		0.47	1.30	2.45	5.57
Duration		-1.10	-3.66	-6.31	-3.87
Spread		-0.41	-0.91	0.43	2.43
<b>Performance</b>		<b>-1.04</b>	<b>-3.27</b>	<b>-3.43</b>	<b>4.13</b>

## Overview

- Yield curves were again steeper as Fed speakers implied they were comfortable letting the bond market tighten financial conditions – taking some of the pressure off the Fed themselves to hike further. Within the government bond space, US Treasuries significantly underperformed other bond markets with German Bunds posting positive performance in. Spreads and duration both contributed negatively to credit performance with carry only partially offsetting the negative returns.
- Some higher beta strategies such as Global HY and EM performed negatively in October, though performance in AT1, leveraged loans and corporate hybrids were closer to flat on the month.

## Financials

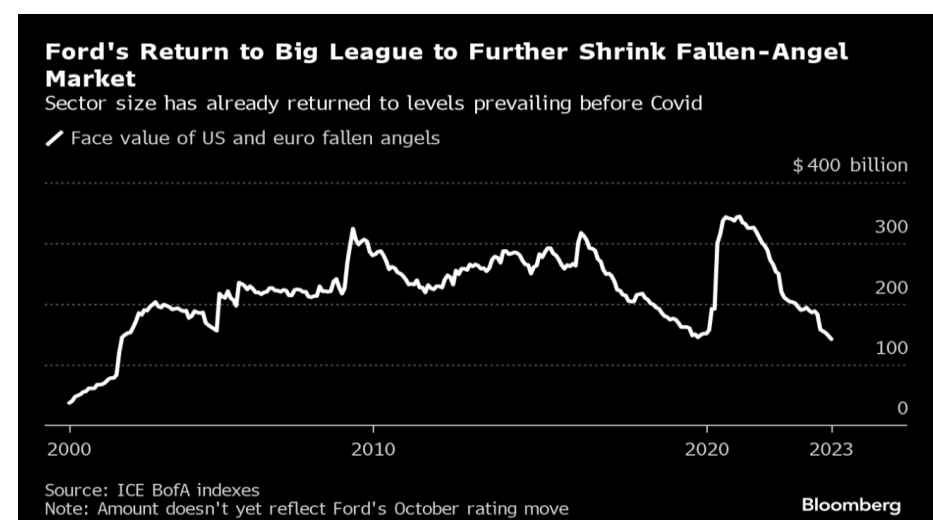
- Senior financial spreads widened marginally more than the broad index and, even though spreads on the AT1 market also widened, a higher carry meant performance in the space was close to flat for the month. The spread on the Bloomberg European CoCo index widened by 18bp to 533bp.
- In the financials space, focus was squarely on earnings. US banks kicked off proceedings, with JP Morgan notably posting a 35% profit increase. Outside of the US, Natwest & Standard Chartered both disappointed which the equity market duly punished, with share prices down over 15% in the aftermath.
- UBS called their SGD 5.875% bond in the month, which reflects positively ahead of an upcoming call date on their USD 7% AT1. Given blackout periods owing to earnings releases, financials supply was muted in October and no new AT1s were issued. In terms of issuance within the space, senior debt was the biggest asset class, followed by covered bonds. Issuance of subordinated debt was negligible

## Investment Grade

- US IG spreads were 8bps wider in October, in line with the EUR market. Total returns in US IG were more negative than EUR IG, however, due to the underlying rates performance. Longer duration also underperformed shorter strategies. Supply was as muted in the corporate space as it was financials. Overall EUR IG supply, at €70bn, was the lowest October since 2014. US IG issuance, at \$82bn, was similarly low.

## High Yield

- Ford's upgrade to IG by S&P led to the largest shrinkage in the size of the US High Yield market in 18 years. Alongside this the size of the fallen angel market shrank by almost 20%. While this could be indicative of late cycle credit dynamics, spreads remain contained for now.



Measure	Index Description
Global IG Corp YTW (%)	Bloomberg Barclays Global Agg Corporate YTW
Global IG Spread (bps)	Bloomberg Barclays Global Agg Corporate OAS
Global HY YTW (%)	Bloomberg Barclays Global High Yield Corporate YTW
Global HY Spread (bps)	Bloomberg Barclays Global High Yield Corporate OAS
CDX IG	MARKIT CDX.NA.IG
CDX HY	MARKIT CDX.NA.HY
CDX EM	MARKIT CDX.EM.
iTraxx Main	MARKIT ITRX EUROPE
iTraxx Xover	MARKIT ITRX EUR XOVER
Sub Fin CDS	MARKIT ITRX EUR SUB FIN
Global IG Corp Index	Bloomberg Barclays Global Agg Corporate Index
Global HY Index	Bloomberg Barclays Global High Yield Corporate Index
Global EM USD Index	Bloomberg Barclays EM USD Aggregate Index
Banks AT1	Bloomberg Barclays European Banks Coco Tier 1 TR Index
Energy HY	Bloomberg Barclays High Yield Energy TR Index
EUR Corp Hybrids	Bloomberg Barclays Corp Ex Financial Hybrid Capital Securities 8% Capped
Leveraged Loans	S&P/LSTA US Leveraged Loan 100 Index
Banks Sen	Bloomberg Barclays Banking Senior TR Index
Energy IG	Bloomberg Barclays IG Energy TR Index
Auto	Bloomberg Barclays IG Auto TR Index
Utility	Bloomberg Barclays IG Utility TR Index
Comms	Bloomberg Barclays IG Communications TR Index
Airline	Bloomberg Barclays IG Airline TR Index
Retail	Bloomberg Barclays IG Retail TR Index
Bloomberg USD Corp	Bloomberg USD Corporate TR Index
Bloomberg GBP Corp	Bloomberg Sterling Corporate TR Index
Bloomberg Euro Corp	Bloomberg Euro Agg Corporate TR Index
Short (1-3 Yr)	Bloomberg Barclays US 1-3 Year Corporate Index
Intermediate (5-10 Yr)	Bloomberg Barclays US 5-10 Year Credit Index
Long	Bloomberg Barclays Long US Corporate Bond Index

\*Source: Bloomberg

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