

Credit Market Overview



As at 30 November 2023

Measure	Level	1 Month	3 Month	6 Month	12 Month
Cash Spread/Yield Changes					
Global IG Corp YTW (%)	5.23	-0.63	-0.08	0.11	0.23
Global IG Spread (bps)	122	-20	-11	-29	-32
Global HY YTW (%)	9.01	-0.98	-0.08	-0.46	-0.21
Global HY Spread (bps)	461	-59	-10	-93	-84
CDS Index Spread Changes					
CDX IG	62	-17	-1	-13	-13
CDX HY	402	-114	-23	-73	-50
CDX EM	187	-41	-14	-59	-39
iTraxx Main	68	-18	-2	-14	-24
iTraxx Xover	374	-77	-23	-60	-85
Sub Fin CDS	142	-37	-6	-31	-42
Cash Index Performance (%)					
Global IG Corp Index		4.67	1.65	2.03	4.41
Global HY Index		4.72	2.69	6.55	9.53
Global EM USD Index		5.30	1.38	2.86	5.58
Higher Beta Sub Sector Performance (%)					
Banks AT1		5.05	4.66	8.73	3.99
Energy HY		3.36	2.01	6.09	9.49
EUR Corp Hybrids		2.37	2.68	4.14	5.83
Leveraged Loans		1.25	2.05	7.12	11.59
IG Sub Sectors Performance (%)					
Banks Senior		4.28	1.46	1.79	4.28
Energy IG		6.27	1.78	2.23	4.29
Auto		3.63	1.68	2.03	4.47
Utility		6.67	0.64	-0.23	2.03
Communications		7.91	1.84	1.46	3.87
Airline		1.95	0.13	1.61	5.57
Retail		6.44	0.85	0.19	2.19
Currency (Hedged) Performance (%)					
Bloomberg USD Corp		5.98	1.22	1.19	3.55
Bloomberg GBP Corp		3.65	3.43	4.38	2.78
Bloomberg Euro Corp		2.30	1.83	2.61	3.45
Maturity Bucket Performance (%)					
Short (1-3 Yr)		1.52	1.63	2.43	4.34
Intermediate (5-10 Yr)		5.84	1.33	1.14	4.05
Long		10.85	0.61	0.04	2.14
Global IG Corp Index Attribution (%)					
Carry		0.83	2.27	4.74	9.23
Duration		1.66	0.03	-1.82	-3.16
Spread		2.23	0.39	3.63	3.46
Performance		4.72	2.69	6.55	9.53

Overview

- After a punishing few months financial markets enjoyed a significant reprieve in November, with both bonds and equities enjoying their strongest months in some time. Various economic indicators led the market to believe the Fed were done hiking rates, while commentary from many Fed speakers throughout the month supported the view.
- US markets outperformed Europe in both treasury and credit markets. Duration was the greatest generator of positive credit performance in September, though carry and spread compression also contributed positively.

Financials

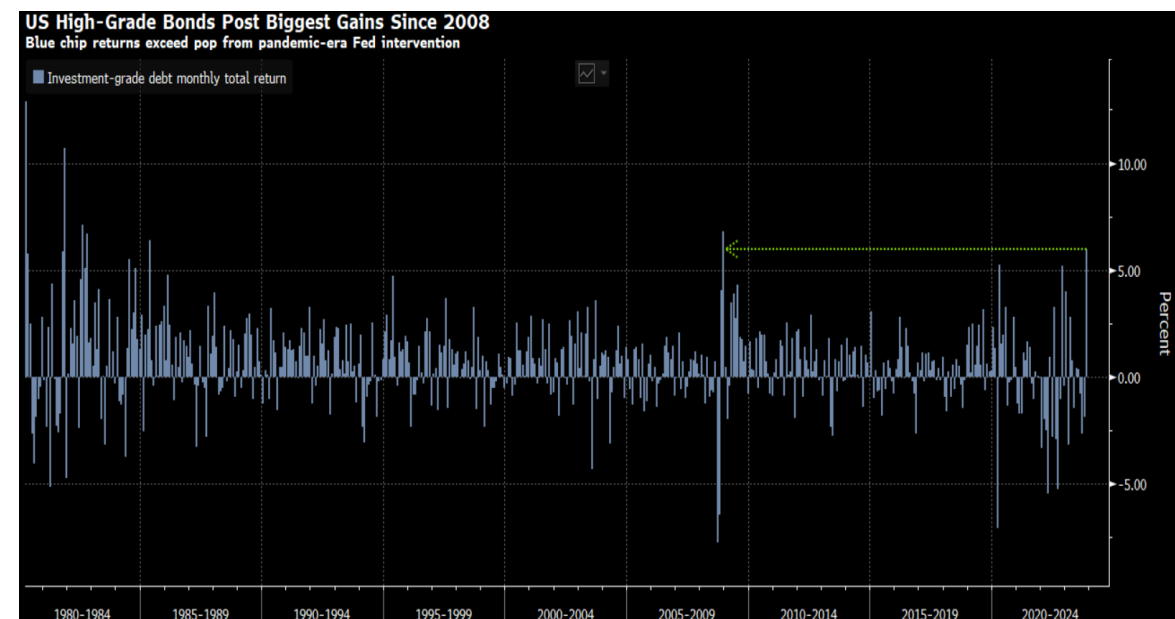
- Senior financial spreads tightened more than the broad index, and spreads on AT1s tightened twice as much as. US senior financials tightened 30bps to 113bps while the Bloomberg European CoCo index tightened 54bps to end November at a spread of 478bps.
- Of most interest in the financials space was the reignition of supply in the AT1 market. In aggregate, nine AT1 securities were issued in November from seven issuers. It was the Swiss bank, UBS, which stole the limelight printing a long anticipated dual tranche PerpNC5 and PerpNC10. Issuing in this space for the first time since taking over Credit Suisse, and the wipeout of CS' AT1 securities, the demand generated a book size of \$36bn, equivalent to ~15% of the total AT1 market.
- Outside of AT1 supply, Moody's affirmed the Italian sovereign rating and upgraded Portugal's. After this, the agency announced various rating changes for Italian and Portuguese banks. Monte & BAMIIM were upgraded, while T2 ratings for UCGIM were downgraded and ISPIM upgraded. Upgrades were also announced for Portuguese banks including BCPPL and NOVBNC.

Investment Grade

- US IG spreads were 25bps tighter in November, outperforming EUR IG which saw 14bps of spread tightening. Total returns were greater in the US as a result of both this tightening as well as underlying rates performance. Long duration credit performed the best while subordinated bonds also performed well. EUR IG supply totalled €111bn while US supply finished at \$99bn, close to the 10yr average for November.

High Yield

- This November represented the second lowest supply in November for the past five years in the US HY market, indicating both the reluctance of issuers to lock in higher funding costs as well as diminishing size of the HY market.





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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