

Credit Market Overview



As at 31 January 2024

Measure	Level	1 Month	3 Month	6 Month	12 Month
Cash Spread/Yield Changes					
Global IG Corp YTW (%)	4.73	0.05	-1.13	-0.46	0.00
Global IG Spread (bps)	111	-4	-31	-16	-22
Global HY YTW (%)	8.30	0.10	-1.69	-0.63	-0.33
Global HY Spread (bps)	432	9	-88	-30	-65
CDS Index Spread Changes					
CDX IG	57	0	-23	-6	-15
CDX HY	361	5	-156	-48	-69
CDX EM	183	15	-45	-8	-39
iTraxx Main	60	2	-25	-7	-19
iTraxx Xover	328	17	-122	-53	-87
Sub Fin CDS	131	8	-48	-13	-25
Cash Index Performance (%)					
Global IG Corp Index		-0.05	8.61	5.06	5.38
Global HY Index		0.13	8.86	6.57	9.59
Global EM USD Index		-0.56	9.11	3.78	5.11
Higher Beta Sub Sector Performance (%)					
Banks AT1		0.88	10.80	9.22	2.95
Energy HY		0.73	6.54	6.05	10.00
EUR Corp Hybrids		1.87	7.73	7.76	9.03
Leveraged Loans		0.37	3.57	5.63	10.37
IG Sub Sectors Performance (%)					
Banks Senior		0.41	7.91	4.56	4.74
Energy IG		-0.06	10.75	5.02	4.69
Auto		0.22	7.05	4.48	5.59
Utility		-0.37	12.20	4.62	2.88
Communications		-0.46	12.87	5.49	4.35
Airline		0.71	5.39	3.62	6.13
Retail		-0.55	10.59	3.82	3.21
Currency (Hedged) Performance (%)					
Bloomberg USD Corp		-0.17	10.38	4.61	4.16
Bloomberg GBP Corp		-1.08	7.63	7.18	4.37
Bloomberg Euro Corp		0.14	5.24	4.92	5.98
Maturity Bucket Performance (%)					
Short (1-3 Yr)		0.46	3.34	3.71	4.89
Intermediate (5-10 Yr)		-0.09	10.23	4.92	4.73
Long		-0.87	17.97	4.98	2.86
Global IG Corp Index Attribution (%)					
Carry		0.39	1.47	2.60	4.73
Duration		-0.68	5.38	1.49	-0.73
Spread		0.24	1.77	0.97	1.38
Performance		-0.05	8.61	5.06	5.38

Overview

- Financial markets began 2024 in tumultuous fashion. Global rates sold off, DM equity markets inched higher, setting new record levels, though Chinese equities floundered. Credit market performance was mixed.
- Carry and spread tightening were positive contributors to credit performance in January, though the negative impact of duration outweighed the positive. IG indices were tighter on the month, as was Euro High Yield. US High Yield ended January wider, led by CCCs.
- EUR and GBP IG spreads tightened by 8bps in January, outperforming US IG which saw 3bps of tightening. Total returns were negative in US and barely positive in EUR, owing to the underlying rates component. GBP IG returns underperformed the most as resolute inflation and wage growth diminished the prospect of BoE rate cuts.

Financials

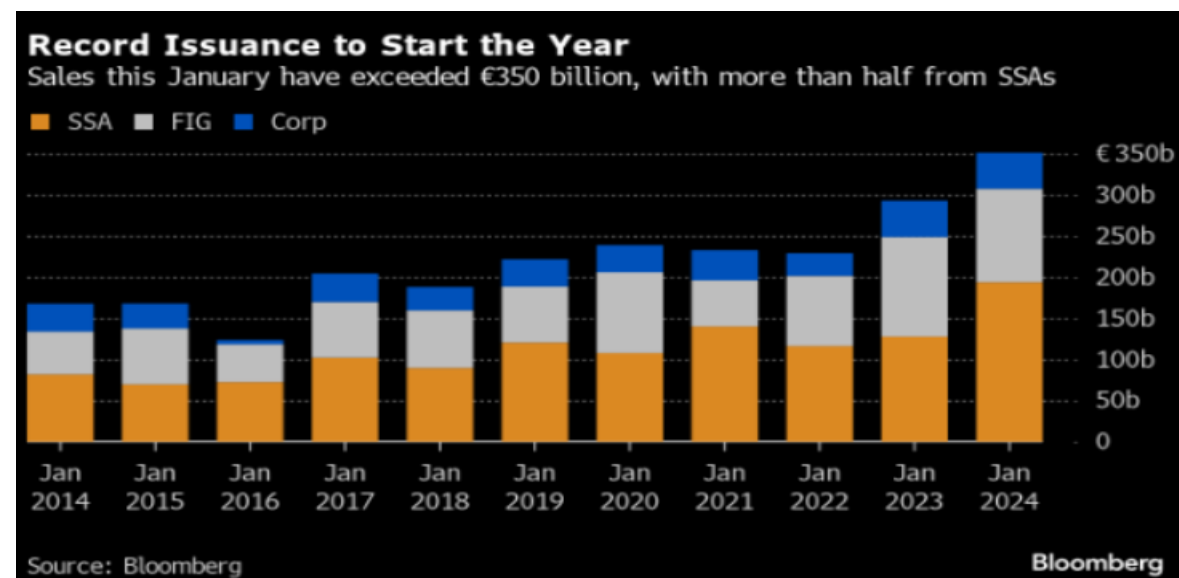
- Senior financial spreads tightened more than the broad index and outperformed on a beta-adjusted measure by moving in-line with AT1s. US senior financials tightened 6bps to 98bps while the Bloomberg European CoCo index tightened 7bps to end November at a spread of 425bps.
- The AT1 primary market reopened after no new issues printed in December. Credit Agricole, CaixaBank & Banco Comercial Portugues issued new deals to refinance existing bonds, while BPER Banca issued a debut AT1. Outside of AT1s, the Euro IG market saw €54bn of senior financial and €14bn of subordinated supply.
- Late in the month elevated loan loss provisions at a US regional bank, New York Community Bank, led to its share price plummeting 38% echoing concerns of the March '23 banking crisis

Investment Grade

- The primary market started 2024 in record fashion. Europe saw €351bn of issuance, led by the SSA sector with €193bn, with non-financial corporate supply hitting €44bn. US IG supply amounted to \$189bn, a 32% increase over January 2023 and shattering the prior January record of \$175bn set in 2017. Demand was strong – best illustrated in Procter & Gamble printing its new 10y at T+37, the tightest 10y corporate spread on record.

High Yield

- US High Yield supply, at \$31bn was an increase on last January's \$20bn but below the four year average of \$33bn. Supply will be a key driver of technical in the space throughout 2024 as bonds approach maturity.



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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