

Credit Market Overview



As at 29 February 2024

Measure	Level	1 Month	3 Month	6 Month	12 Month
Cash Spread/Yield Changes					
Global IG Corp YTW (%)	5.01	0.28	-0.22	-0.30	-0.22
Global IG Spread (bps)	106	-5	-16	-27	-29
Global HY YTW (%)	8.31	0.01	-0.70	-0.78	-0.83
Global HY Spread (bps)	395	-38	-67	-77	-100
CDS Index Spread Changes					
CDX IG	52	-4	-10	-11	-24
CDX HY	340	-21	-63	-86	-123
CDX EM	166	-17	-22	-36	-75
iTraxx Main	55	-5	-13	-15	-24
iTraxx Xover	305	-23	-68	-91	-108
Sub Fin CDS	117	-5	-25	-31	-37
Cash Index Performance (%)					
Global IG Corp Index		-1.10	2.62	4.32	6.80
Global HY Index		0.90	4.88	7.71	12.14
Global EM USD Index		0.38	4.00	5.44	7.92
Higher Beta Sub Sector Performance (%)					
Banks AT1		0.30	5.78	10.72	4.83
Energy HY		0.39	3.48	5.56	12.25
EUR Corp Hybrids		-0.04	5.19	8.01	9.78
Leveraged Loans		1.12	3.44	5.56	11.46
IG Sub Sectors Performance (%)					
Banks Senior		-0.87	2.59	4.08	6.09
Energy IG		-1.51	2.64	4.46	6.99
Auto		-0.68	2.60	4.32	6.79
Utility		-1.77	3.33	3.99	5.19
Communications		-2.27	2.22	4.10	6.26
Airline		0.22	3.61	3.75	6.45
Retail		-1.79	2.04	2.91	5.03
Currency (Hedged) Performance (%)					
Bloomberg USD Corp		-1.50	2.59	3.84	5.97
Bloomberg GBP Corp		-0.61	3.21	6.75	6.41
Bloomberg Euro Corp		-0.88	1.96	3.83	6.58
Maturity Bucket Performance (%)					
Short (1-3 Yr)		-0.21	1.59	3.25	5.38
Intermediate (5-10 Yr)		-1.46	2.63	3.99	6.45
Long		-2.72	3.53	4.16	5.83
Global IG Corp Index Attribution (%)					
Carry		0.39	1.31	2.66	5.23
Duration		-1.79	0.37	0.04	-0.20
Spread		0.30	0.95	1.62	1.77
Performance		-1.10	2.62	4.32	6.80

Overview

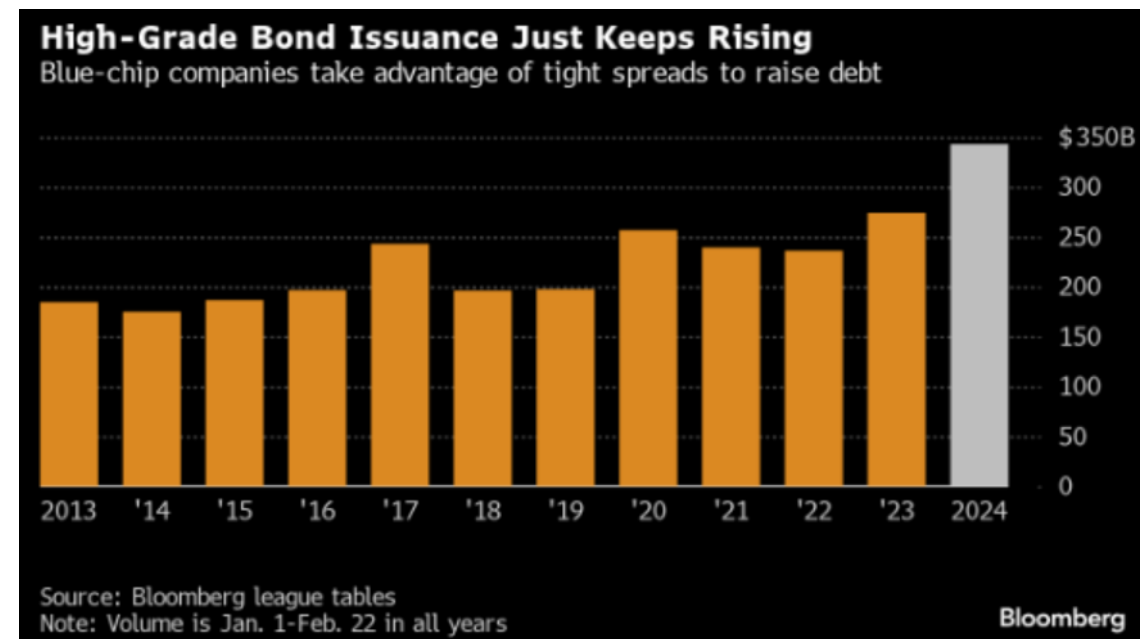
- Performance between equity and fixed income markets diverged in February. Global rates continued January's sell-off, DM equity markets continued to reach new highs while Chinese equities rebounded. Credit market performance was mixed.
- Carry and spread tightening were positive contributors to credit performance in February, though the negative impact of duration far outweighed the positive. Both the Global IG and Global HY indices were tighter on the month.
- EUR and GBP IG spreads tightened by 9 & 6bps respectively in February, outperforming US IG which was unchanged in spread terms. Total returns were negative in all three markets as expectations of global rate cuts diminished and government bonds sold off commensurately. Longer duration bonds experienced more negative returns than shorter.
- Higher beta asset classes, including HY, Emerging Market debt and Leveraged Loans, which are less rate sensitive outperformed

Financials

- Senior financial spreads tightened more than the broad index. US senior financials tightened 4bps to 93bps while the Bloomberg European CoCo index tightened 24bps to end February at a spread of 401bps.
- After a busy January, supply in the AT1 market was muted with ABN Amro, printing its first EUR denominated AT1 bond in almost four years, the sole issuer. Outside of AT1s, the Euro IG market saw €25bn of senior financial and €5bn of subordinated supply – another marked reduction on the prior month.
- Following elevated loan loss provisions at New York Community Bank in late January, further cracks in the system appeared throughout February. Japan's 16th biggest by market value, Aozora, saw a 20% plunge on property losses while Deutsche Pfandbriefbank saw its AT1 bond fall as low as a cash price of 19 as its exposure to US CRE backfired.

Investment Grade

- At €170bn February's primary market supply was approximately half that of January's record setting level, with the drop coming mostly from the SSA space. SSAs accounted for €82bn of total volumes while non-financial corporate supply was virtually unchanged from the prior month at €43bn and included the largest corporate bond offering in a year, from Siemens. US IG supply, at \$198bn, was an increase on the prior month and featured several jumbo deals, including a \$13bn multi-tranche issue from Bristol Myers Squibb which garnered over \$85bn of demand.



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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