

Credit Market Overview



As at 30 April 2024



Measure	Level	1 Month	3 Month	6 Month	12 Month
Cash Spread/Yield Changes					
Global IG Corp YTW (%)	5.25	0.37	0.52	-0.61	0.36
Global IG Spread (bps)	98	-2	-35	-44	-51
Global HY YTW (%)	8.46	0.37	-0.17	-1.53	-0.76
Global HY Spread (bps)	378	-3	-119	-142	-173
CDS Index Spread Changes					
CDX IG	54	2	-18	-26	-22
CDX HY	357	27	-73	-160	-109
CDX EM	178	9	-44	-50	-60
iTraxx Main	56	2	-24	-30	-27
iTraxx Xover	318	21	-97	-132	-117
Sub Fin CDS	116	2	-7	-63	-71
Cash Index Performance (%)					
Global IG Corp Index		-1.88	3.55	6.72	3.06
Global HY Index		-0.63	11.59	10.85	12.25
Global EM USD Index		-1.65	5.56	9.57	6.22
Higher Beta Sub Sector Performance (%)					
Banks AT1		-0.54	5.22	13.25	19.24
Energy HY		-0.29	11.62	8.11	9.99
EUR Corp Hybrids		-0.01	10.81	9.49	12.01
Leveraged Loans		0.65	12.84	5.89	11.52
IG Sub Sectors Performance (%)					
Banks Senior		-1.47	3.32	6.45	3.22
Energy IG		-2.76	1.88	7.78	1.60
Auto		-1.42	4.41	5.85	3.50
Utility		-3.19	-0.81	8.18	-1.06
Communications		-3.31	0.32	8.51	0.20
Airline		-0.60	6.54	5.80	5.00
Retail		-2.80	-0.24	6.90	-0.91
Currency (Hedged) Performance (%)					
Bloomberg USD Corp		-2.54	1.28	7.33	1.00
Bloomberg GBP Corp		-2.15	3.34	6.57	4.65
Bloomberg Euro Corp		-0.85	5.43	4.69	5.18
Maturity Bucket Performance (%)					
Short (1-3 Yr)		-0.23	4.99	3.44	4.18
Intermediate (5-10 Yr)		-2.32	2.16	7.53	1.45
Long		-4.94	-3.02	11.23	-2.41
Global IG Corp Index Attribution (%)					
Carry		0.41	1.18	2.93	4.89
Duration		-2.41	0.17	1.28	-5.00
Spread		0.12	2.19	2.51	3.16
Performance		-1.88	3.55	6.72	3.06

Overview

- Financial markets experienced negative returns in April as bond yields rose & equity markets sold off, driven by hot inflation and weaker than expected growth in the US. Despite the positive correlation between rates and equity markets, credit spreads on corporate bond indices tightened modestly to multi-year lows, while spreads on synthetic indices widened.
- Though carry and spread tightening contributed positively to credit performance in March, the negative impact of duration was far higher. Spreads in both the Global Investment Grade (IG) and Global High Yield (HY) indices were tighter on the month.
- EUR and USD spreads tightened by 2 and 3bps respectively in April while GBP IG spreads underperformed, widening by 2bps. Total returns were negative in all three markets as underlying government bond yields sold off. Longer duration bonds generated worse returns than shorter dated securities.
- Higher beta asset classes experienced mixed performance. Leveraged loans, which are less sensitive to interest rates, outperformed while other asset classes saw negative total returns, albeit better than IG bonds.

Financials

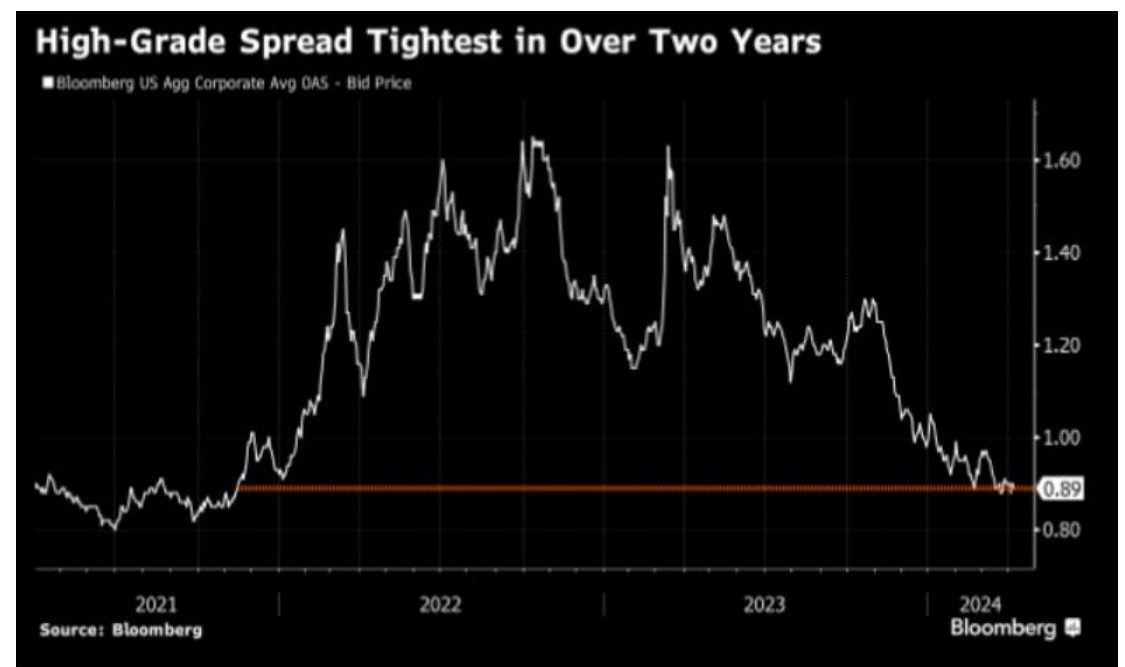
- Senior financial spreads tightened in line with the broad index, while subordinated AT1 spreads were unchanged on the month. US senior financials tightened 4bps to 84bps while the Bloomberg European CoCo index tightened 1bp to end April at a spread of 365bps.
- A late month proposal by BBVA to takeover Spanish competitor Banco Sabadell piqued interest, pointing to long awaited consolidation in the European market.

Investment Grade

- Earnings season diminished primary market volumes on both sides of the Atlantic in April. European bond sales declined month-on-month, with a total of €145bn issued. After an even split between SSAs, financials and corporate issuance in March, the former dominated April's volumes at €61bn. \$106bn of high-grade bonds were issued in the US market in April, down from March's healthy \$142bn issuance.

High Yield

- Global HY primary markets remained wide open in April. US HY supply of \$26bn was the month's busiest since 2021, while a late month flurry in Europe brought April volumes to €12bn.



Source: Bloomberg as at 4/30/2024



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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