

Credit Market Overview



As at 31 May 2024

Measure	Level	1 Month	3 Month	6 Month	12 Month
Cash Spread/Yield Changes					
Global IG Corp YTW (%)	5.10	-0.15	0.09	-0.13	-0.02
Global IG Spread (bps)	95	-3	-11	-27	-56
Global HY YTW (%)	8.29	-0.17	-0.02	-0.72	-1.19
Global HY Spread (bps)	375	-3	-20	-86	-179
Currency (Hedged) Performance (%)					
Bloomberg USD Corp		1.87	0.56	3.17	4.40
Bloomberg GBP Corp		1.04	0.65	3.88	8.43
Bloomberg Euro Corp		0.27	0.63	2.61	5.28
Higher Beta Sector (Hedged) Performance (%)					
Banks AT1		2.07	4.02	10.04	19.64
EUR HY		1.16	1.76	6.32	12.52
US HY		1.10	1.33	5.41	11.24
Leveraged Loans		1.12	2.24	5.76	13.29
EUR Corp Hybrids		1.08	3.02	8.80	14.38
Global EM USD Index		1.72	1.77	5.85	8.87
Rating Bucket Performance (%)					
US BBB		1.94	0.83	3.73	5.74
US BB		1.21	1.53	4.69	9.81
US B		0.97	1.13	5.07	11.30
US CCC		0.44	0.53	7.56	14.81
IG Maturity Bucket Performance (%)					
Short (1-3 Yr)		0.80	1.11	2.71	5.21
Intermediate (5-10 Yr)		1.94	0.91	3.56	4.74
Long		2.82	-0.34	3.17	3.21
Global IG Corp Index Attribution (%)					
Carry		0.44	1.25	2.62	5.12
Duration		0.81	-1.15	-0.81	-3.06
Spread		0.18	0.66	1.60	3.44
Performance		1.42	0.76	3.41	5.50

Overview

- Global bond markets diverged in performance somewhat in May as the US Treasury market outperformed reversing the hitherto trend witnessed in 2024. Driven by a weaker than expected economic backdrop, US Treasury yields fell across the curve with 10-year Treasury yields declining 18 bps. German Bunds by contrast ended the month 3 bps higher as optimism over the number of forthcoming rate cuts faded in line with the stubborn inflation backdrop.
- As a result, longer duration US fixed income outperformed with the USD aggregate index, US BBBs and EM hard currency all delivering the strongest performance over the month.
- With credit spreads continuing to narrow, albeit marginally, it was a good month for higher yielding strategies with carry and a degree of spread compression underpinning the positive performance.

Financials

- A very strong month for higher beta financials with AT1 bonds recording another gain. Spreads on the Bloomberg USD CoCo Index have compressed by over 200bps in the last 12 months and over 400bps since the highs of March 2023.
- Strong financials performance has no doubt fed into robust appetite for new issuance. Deutsche Bank's recent EUR AT1 deal was further evidence of this with €10bln of demand for a €1.5bln deal which, at 8.125%, came some 62.5 bps inside guidance.

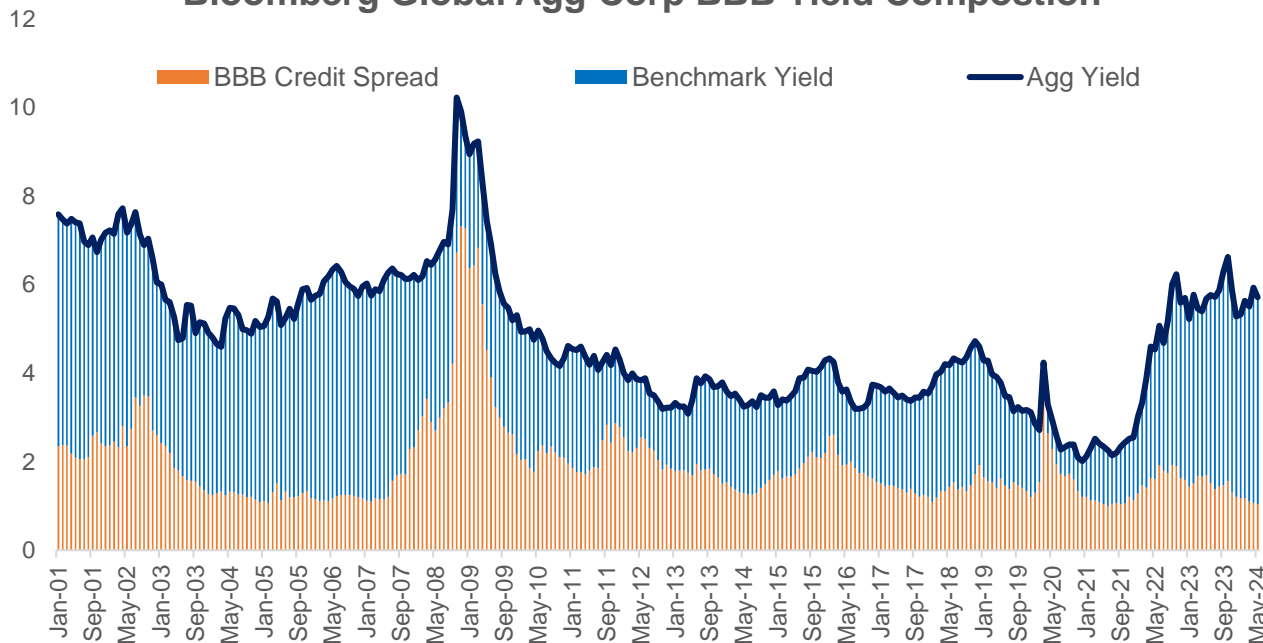
Investment Grade

- Credit spreads in Investment Grade now account for only 18% of the overall yield¹ - close to the all-time low. As a result duration continues to be the predominant driver of performance on a month-to-month basis.
- Within US credit, the yield differential between the Bloomberg 1-3 Year Corporate Index and the 5-10 year Index is almost zero highlighting the lack of compensation for taking on additional duration risk.

High Yield

- High yield markets continue to display signs of dispersion with distress in the CCC segment growing while BBs remain close to the tight of 2021. The ratio between the two ratings components is at > 20yr highs (excluding the COVID period).

Bloomberg Global Agg Corp BBB Yield Composition



Source: Bloomberg as at 31/05//2024

1. Source Bloomberg Global Agg Corp index

Bloomberg US High Yield CCC/BB Spread Ratio



Source: Bloomberg as at 31/05//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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