

# Credit Market Overview



As at 28 June 2024

Measure	Level	1 Month	3 Month	6 Month	12 Month
<b>Cash Spread/Yield Changes</b>					
Global IG Corp YTW (%)	5.04	-0.06	0.16	0.36	-0.24
Global IG Spread (bps)	104	9	4	-11	-35
Global HY YTW (%)	8.26	-0.03	0.17	0.06	-0.94
Global HY Spread (bps)	386	11	4	-37	-105
<b>Currency (Unhedged) Performance (%)</b>					
Bloomberg USD Corp		0.64	-0.09	-0.49	4.63
Bloomberg GBP Corp		0.70	-0.45	-0.35	10.55
Bloomberg Euro Corp		0.66	0.08	0.54	6.45
<b>Higher Beta Sector (Hedged) Performance (%)</b>					
Banks AT1		0.37	1.89	5.64	18.61
EUR HY		0.45	1.66	3.61	12.27
US HY		0.94	1.09	2.58	10.44
Leveraged Loans		0.32	2.07	4.10	10.72
EUR Corp Hybrids		0.51	1.72	5.68	14.41
Global EM USD Index		0.63	0.68	2.22	7.95
<b>Rating Bucket Performance (%)</b>					
US BBB		0.62	0.08	-0.06	5.77
US BB		1.05	1.32	2.47	9.58
US B		0.96	1.03	2.41	10.50
US CCC		0.55	-0.01	2.13	11.93
<b>IG Maturity Bucket Performance (%)</b>					
Short (1-3 Yr)		0.48	1.05	1.85	5.82
Intermediate (5-10 Yr)		0.84	0.42	0.18	5.72
Long		0.53	-1.74	-3.39	2.18
<b>Global IG Corp Index Attribution (%)</b>					
Carry		0.43	1.22	2.34	5.28
Duration		0.81	-0.78	-2.71	-1.32
Spread		-0.54	-0.24	0.67	2.15
<b>Performance</b>		<b>0.69</b>	<b>0.20</b>	<b>0.30</b>	<b>6.10</b>

## Overview

- Global bond markets delivered tepid performance in June as government bond yields fell and credit spreads leaked wider throughout the month. US equity markets generated strong returns while European indices weakened as political risks stirred market volatility.
- Carry, as well as the underlying duration component, drove positive performance in credit indices in the month, though spread widening detracted. The impact of this credit spread widening was felt most out the curve and, as a result, long duration credit underperformed shorter tenors.
- Higher beta products saw modestly positive performance in June despite the weak environment for credit. Performance, apart from US HY, was worse than IG indices.

## Financials

- June saw a busy month of supply in the AT1 market with €5.5bn of issuance, despite the weakness in spreads. Most bonds were issued for refinancing purposes. The Bloomberg European CoCo index ended June 23bps wider at 361bps with much of this driven by the French election risk. Elsewhere US senior financial spreads widened 9bps to 87bps.
- With President Macron calling a snap election, volatility in French government bonds rose. Risks to credit markets were best reflected through French financials, with AT1 debt on French banks moving over 2pts lower. With expectations of a far-right government, it may be some time before this underperformance is recouped.

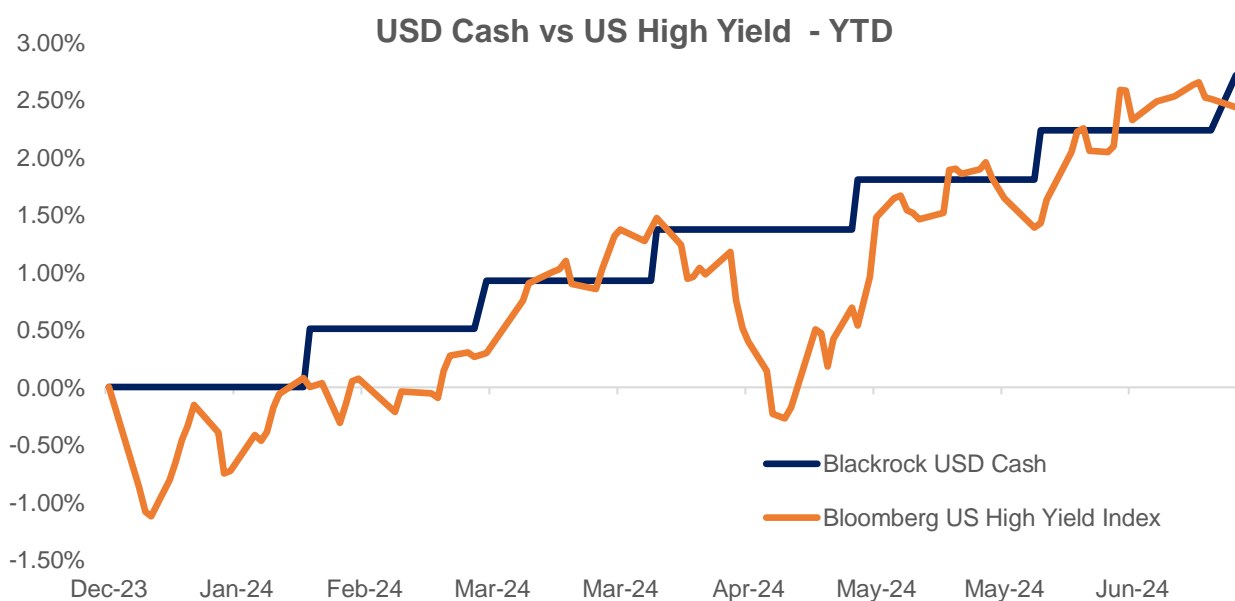
## Investment Grade

- June saw continued strong issuance volumes, capping off a strong first half to year which saw over €625bn of supply. Including the SSA space, the first half volume of €1.125bn was a new record.
- Despite over \$100bn of bonds being issued, execution metrics in the US primary market reflected the weakness seen throughout credit markets in June. New issues priced at the largest average concession since November as order book sizes were the lowest on average since October.

## High Yield

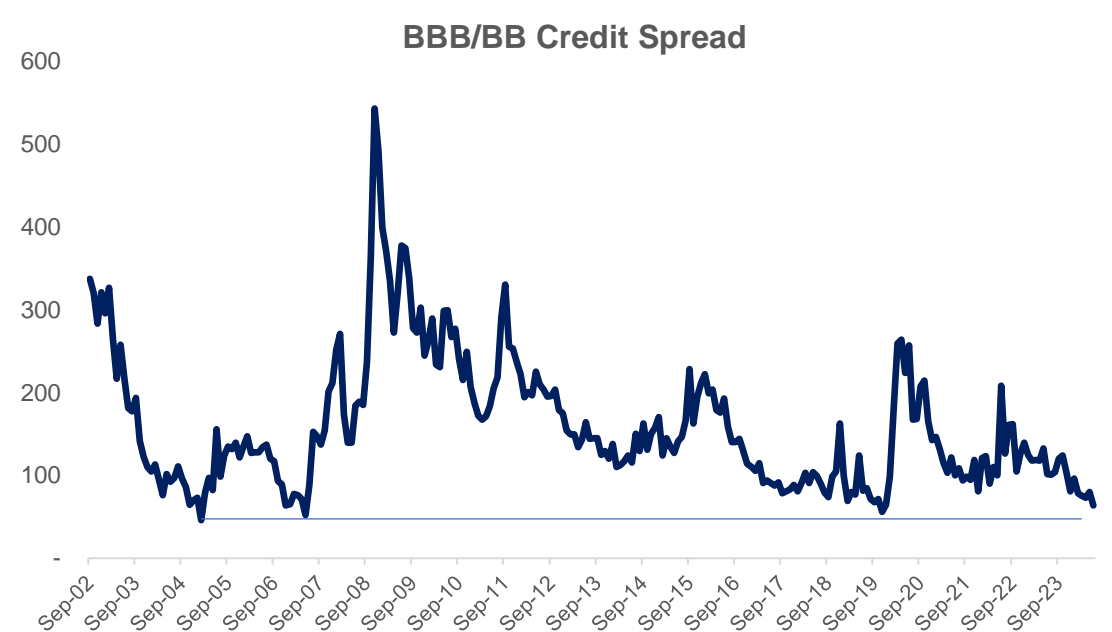
- Spreads on safer junk debt continue to trade increasingly tight to the riskiest parts of the IG market in both Europe and the US. Such tight spreads have helped USHY supply nearly triple from last year to \$160Bbn.

## Cash Outperforming High Yield



Source: Bloomberg as at 01/07/2024

## BB Spreads Tight to BBB



Source: Bloomberg as at 30/06/2024



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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