

# Credit Market Overview



As at 30 September 2024



Measure	Level	1 Month	3 Month	6 Month	12 Month
<b>Cash Spread/Yield Changes</b>					
Global IG Corp YTW (%)	4.33	-0.22	-0.71	-0.55	-1.33
Global IG Spread (bps)	100	-2	-4	0	-35
Global HY YTW (%)	7.29	-0.41	-0.97	-0.80	-2.16
Global HY Spread (bps)	364	-20	-22	-18	-117
<b>Currency (Unhedged) Performance (%)</b>					
Bloomberg USD Corp		1.77	5.84	5.74	14.28
Bloomberg GBP Corp		0.33	2.39	1.92	10.74
Bloomberg Euro Corp		1.23	3.27	3.35	9.56
<b>Higher Beta Sector (Hedged) Performance (%)</b>					
Bank AT1		1.64	5.47	7.46	22.31
EUR High Yield		1.05	3.81	5.54	14.00
US High Yield		1.62	5.28	6.44	15.74
Leveraged Loans		0.63	1.94	4.05	9.52
EUR Corp Hybrids		1.47	4.92	6.73	17.90
Global EM USD Index		1.76	5.82	6.54	16.93
<b>Rating Bucket Performance (%)</b>					
USA		1.81	5.86	5.70	13.75
US BBB		1.73	5.76	5.84	14.98
US BB		1.06	4.25	5.63	14.69
US B		1.18	4.53	5.61	14.55
US CCC		4.29	10.20	10.18	20.32
<b>IG Maturity Bucket Performance (%)</b>					
Short (1-3 Yr)		0.91	3.17	4.25	8.34
Intermediate (5-10 Yr)		1.65	5.89	6.33	15.03
Long		2.70	8.21	6.33	19.18
<b>Global IG Corp Index Attribution (%)</b>					
Carry		0.38	1.26	2.44	5.66
Duration		1.07	3.51	2.77	5.55
Spread		0.12	0.24	0.00	2.05
<b>Performance</b>		<b>1.57</b>	<b>5.01</b>	<b>5.21</b>	<b>13.26</b>

## Overview

- Evidence of weak US economic activity at the beginning of September unsettled risk assets. However, a 50bp rate cut by the Fed coupled with unprecedented stimulus measures in China, allowed most markets to close the month on a positive note.
- Government bond yields declined, led by the front end, while credit spreads tightened modestly. Elevated bond issuance, particularly in Investment Grade, limited the extent of spread tightening. Meanwhile, equity markets delivered gains, with Chinese stocks notably outperforming and generating substantial returns.
- Interest rate duration drove positive performance in credit indices in the month, with carry also contributing. Although spread compression contributed only modestly to IG performance, it had a more significant impact on HY returns.
- September was marked by elevated bond supply, with global issuance surpassing \$600 billion and breaking records across multiple markets.

## Investment Grade

- In the US IG market, 2024 issuance levels had already exceeded those of both 2022 and 2023 within just a few trading sessions. Nearly \$190 billion in IG bonds were issued, marking the busiest September on record while it also brought a record number of borrowers on a single day.

## Financials

- September set a record for Additional Tier 1 (AT1) bond supply, with €12.2 billion issued across 16 deals, including the single busiest week on record.
- This milestone came in stark contrast to the Australian regulator's announcement of a proposal to phase out the use of AT1s by 2027. In the U.S., the largest banks were informed they would face a 9% increase in capital requirements, significantly lower than the initially proposed 19%.
- In Europe, consolidation efforts were apparent as UniCredit acquired a significant stake in Commerzbank, following the German government's reduction of its ownership in the once-troubled lender. In a move that surprised German authorities, the Italian bank increased its stake from 9% to 21%.

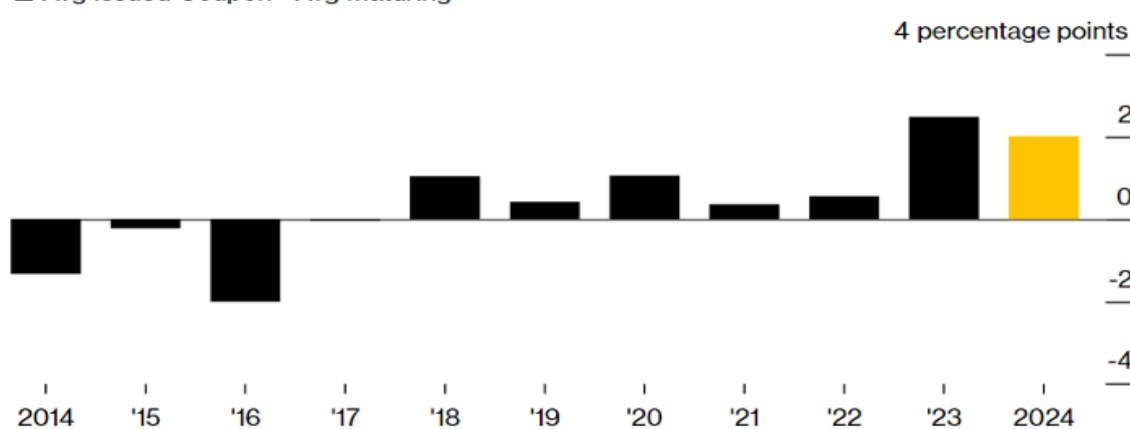
## High Yield

- The US HY market also saw heightened activity, with 50 issuers raising \$37 billion, making it the third busiest September in the past seven years. Spreads tightened, and underlying yields fell, leading to strong performance, with CCC-rated bonds delivering the highest monthly returns of the year.

## New Bonds Are Costing More Than Maturing Debt

Coupons for new investment-grade bonds are higher

■ Avg Issued Coupon - Avg Maturing

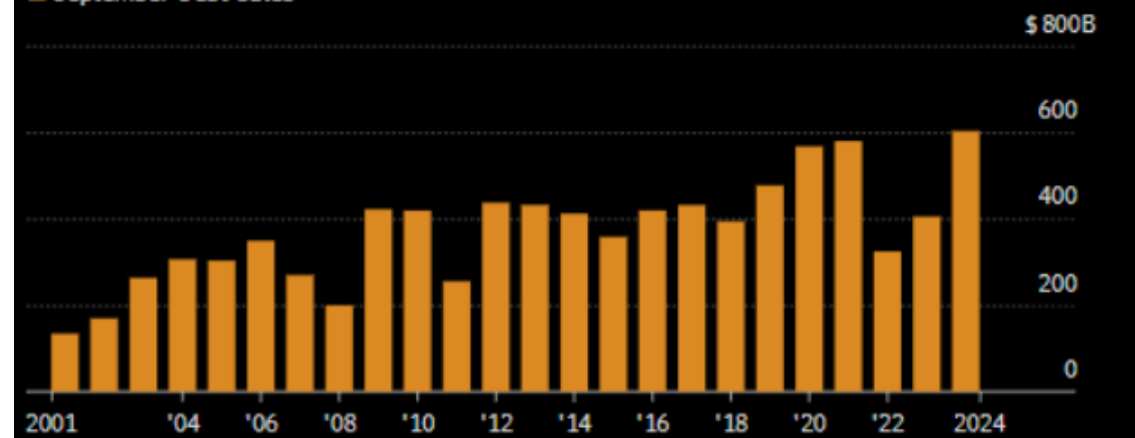


Source: Bloomberg  
 Note: 2014-2023 includes full-year data. Data for 2024 is through Sept. 11. Includes US dollar-denominated corporates with at least one investment grade rating.

## Borrowers Rush to Debt Markets in Busiest September

Globally, companies and governments sold more than \$600 billion

■ September Debt Sales



Source: Bloomberg as at 30/09/2024



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