

# Credit Market Overview



As at 31 December 2024

Measure	Level	1 Month	3 Month	6 Month	12 Month
<b>Cash Spread/Yield Changes</b>					
Global IG Corp YTW (%)	4.75	0.21	0.42	-0.29	0.07
Global IG Spread (bps)	89	0	-11	-15	-26
Global HY YTW (%)	7.49	0.21	0.19	-0.77	-0.72
Global HY Spread (bps)	329	4	-35	-57	-94
<b>Currency (Unhedged) Performance (%)</b>					
Bloomberg USD Corp		-1.94	-3.04	2.62	2.13
Bloomberg GBP Corp		-0.57	-0.32	2.06	1.71
Bloomberg Euro Corp		-0.38	0.87	4.17	4.74
<b>Higher Beta Sector (Hedged) Performance (%)</b>					
Bank AT1		0.86	1.47	7.02	13.05
EUR High Yield		0.78	2.23	6.12	9.95
US High Yield		-0.43	0.17	5.47	8.19
Leveraged Loans		0.44	2.49	4.48	8.76
EUR Corp Hybrids		0.77	2.38	7.42	13.52
Global EM USD Index		-1.19	-1.47	4.26	6.58
<b>Rating Bucket Performance (%)</b>					
USA		-1.98	-3.31	2.35	1.63
US BBB		-1.82	-2.58	3.03	2.97
US BB		-0.65	-0.49	3.74	6.30
US B		-0.31	0.31	4.86	7.38
US CCC		0.09	2.26	12.69	15.09
<b>IG Maturity Bucket Performance (%)</b>					
Short (1-3 Yr)		0.20	0.19	3.37	5.28
Intermediate (5-10 Yr)		-1.53	-2.71	3.02	3.21
Long		-4.30	-6.20	1.50	-1.95
<b>Global IG Corp Index Attribution (%)</b>					
Carry		0.38	1.08	2.52	4.68
Duration		-1.63	-3.30	-0.03	-2.56
Spread		0.00	0.67	0.90	1.58
<b>Performance</b>		-1.25	-1.54	3.39	3.69

## Overview

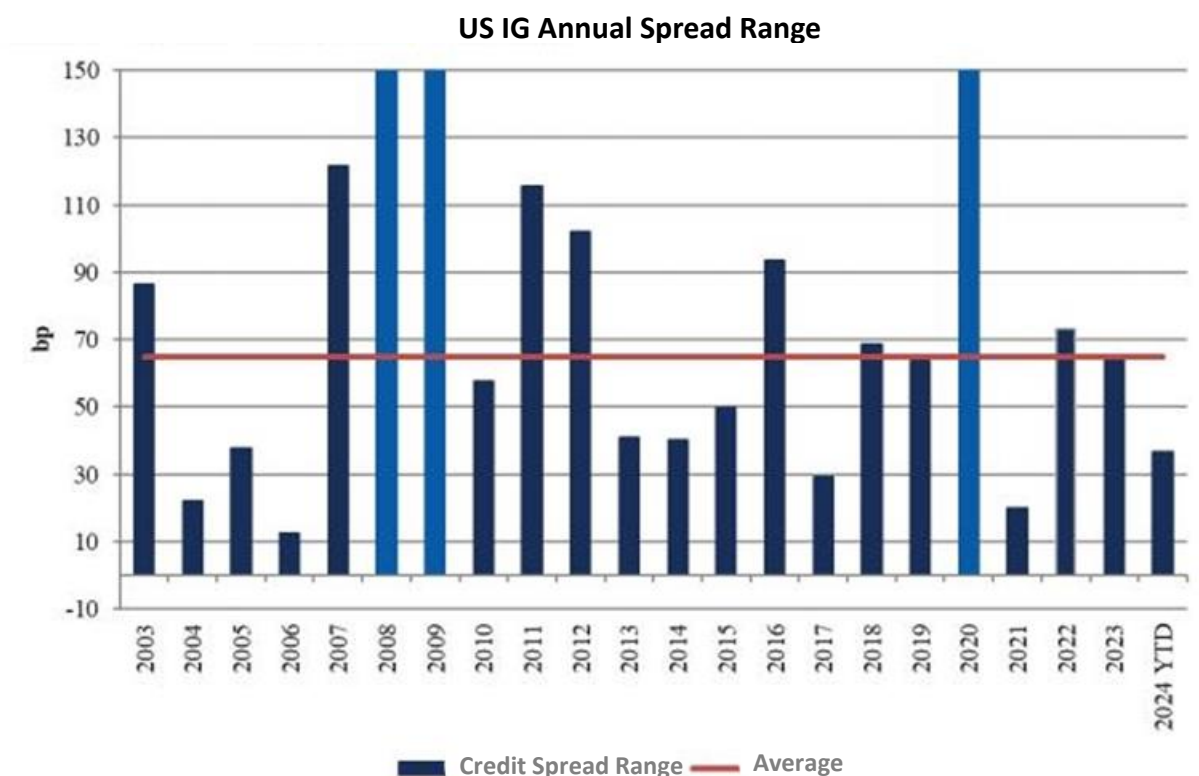
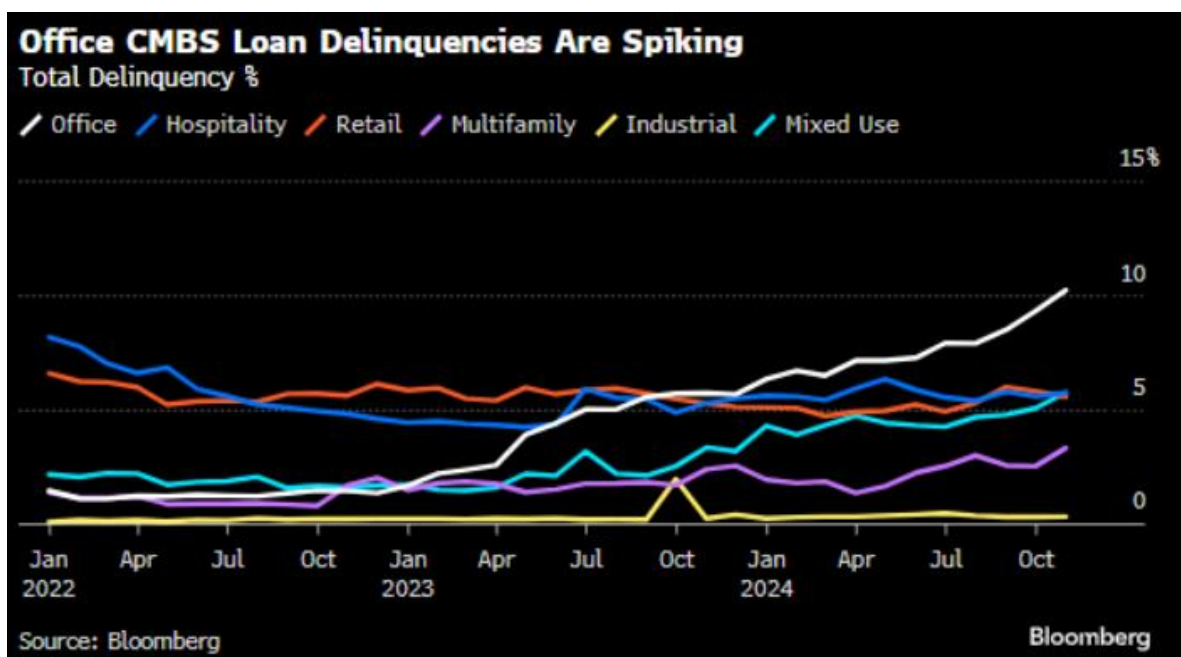
- After an ebullient November, December was decidedly subdued. The month was shaped by the Federal Reserve's hawkish cut, coupled with heightened political instability in Europe and South Korea. Consequently, bond yields rose, major DM equity indices weakened, and credit spreads were mixed.
- Interest rate duration was the predominant driver of negative IG returns on the month, though carry offered a modest positive offset. Owing to mixed moves in Europe and the US, spread impact on performance was minimal. Bonds with greater interest rate sensitivity underperformed, while European credit outpaced US credit, both in low beta and high beta segments.

## Investment Grade

- Although credit headlines were somewhat muted and primary issuance tapered off early in the month, attention shifted to the outlook for 2025 and the sustainability of favourable conditions in credit markets. Notably, 2024 marked the third-tightest range of credit spreads since the GFC. Major concerns, however, still remain over the commercial real estate sector, with office delinquencies continuing to rise unabated.
- Aggregate European supply, which had already reached record year-to-date (YTD) volumes by November, was dominated by sovereigns, supranationals, and agencies (SSAs) in December, amounting to approximately €6.5 billion. This brought the YTD total to €1.71 trillion, surpassing 2023's €1.47 trillion.
- In the US, IG issuance totalled \$40 billion in December, pushing 2024 volumes to \$1.5 trillion—a record amount excluding 2020. However, with elevated maturities throughout the year, net supply fell short of this peak.
- Among corporate developments, the most significant news in December came from the advertising sector. Omnicom announced its acquisition of Interpublic, a deal that will create the world's largest advertising conglomerate.

## High Yield

- In high-yield (HY) markets, US HY spreads underperformed relative to most credit markets. Only \$12 billion of HY bonds were issued in December, bringing the 2024 total to \$278 billion. Spreads widened by more than 20 basis points, with all ratings except CCCs posting negative returns.





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