

Credit Market Overview



As at 31 July 2025

Measure	Level	1 Month	3 Month	6 Month	12 Month
Cash Spread/Yield Changes					
Global IG Corp YTW (%)	4.48	0.04	-0.09	-0.23	-0.22
Global IG Spread (bps)	79	-10	-31	-6	-22
Global HY YTW (%)	6.99	-0.11	-0.83	-0.26	-1.01
Global HY Spread (bps)	307	-25	-104	1	-86
Currency (Unhedged) Performance (%)					
Bloomberg USD Corp		0.07	1.92	3.67	4.49
Bloomberg GBP Corp		0.36	2.11	2.65	4.11
Bloomberg Euro Corp		0.53	1.34	1.89	4.81
Higher Beta Sector (Hedged) Performance (%)					
Bank AT1		1.76	5.57	5.49	12.45
EUR High Yield		1.36	3.56	4.25	9.95
US High Yield		0.45	4.02	3.62	8.67
Leveraged Loans		0.82	3.09	3.34	7.83
EUR Corp Hybrids		1.39	3.74	4.52	11.21
Global EM USD Index		0.92	3.54	4.79	8.42
Rating Bucket Performance (%)					
US A		0.05	1.70	3.71	4.26
US BBB		0.12	2.29	3.73	4.99
US BB		0.20	3.51	3.86	7.46
US B		0.32	3.95	3.25	7.90
US CCC		1.47	6.33	3.48	14.24
IG Maturity Bucket Performance (%)					
Short (1-3 Yr)		0.11	1.02	2.73	5.38
Intermediate (5-10 Yr)		0.17	2.31	4.83	5.98
Long		-0.07	2.48	3.14	1.89
Global IG Corp Index Attribution (%)					
Carry		0.37	1.14	2.36	4.70
Duration		-0.67	-1.05	0.75	-0.70
Spread		0.59	1.82	0.35	1.33
Performance		0.29	1.91	3.46	5.32

Overview

- July was marked by the announcement of several U.S. trade agreements and the long-awaited signing of the One Big Beautiful Bill Act. Supported by both domestic and international developments, risk assets performed strongly, with credit spreads tightening to levels last seen prior to the Global Financial Crisis and equity markets advancing sharply.
- Fixed income assets generally delivered positive returns despite a sell-off in government bonds. Shorter duration and lower quality markets outperformed while European credit markets outperformed US in both investment grade and high yield sectors.

Investment Grade

- Corporate earnings took centre stage in July, as investors closely monitored the effects of President Trump’s tariff measures. Cyclical sectors, particularly chemical producers such as Solvay and BASF, exhibited signs of weakening, while OEMs and suppliers provided forward guidance on tariff-related impacts—Ford, for example, cited a \$2 billion tariff cost, and Japanese manufacturers responded by cutting export prices.
- The tightening of credit spreads and the conclusion of earnings blackout periods catalysed a notable acceleration in M&A activity. Although Alimentation Couche-Tard Inc. ultimately abandoned its long-running \$46 billion bid for Seven & I Holdings, several other high-profile transactions moved forward. These included Union Pacific’s \$72 billion acquisition of Norfolk Southern, Merck’s \$10 billion purchase of Verona Pharma, and Ferrero’s near-finalisation of a \$3 billion acquisition of WK Kellogg.
- On the supply side, NTT Finance led €40 billion of corporate issuance in Europe with its €5.5 billion multi-tranche offering. In the U.S., the firm also completed a substantial \$11.25 billion issuance across seven tranches, contributing to total monthly supply of \$81 billion.

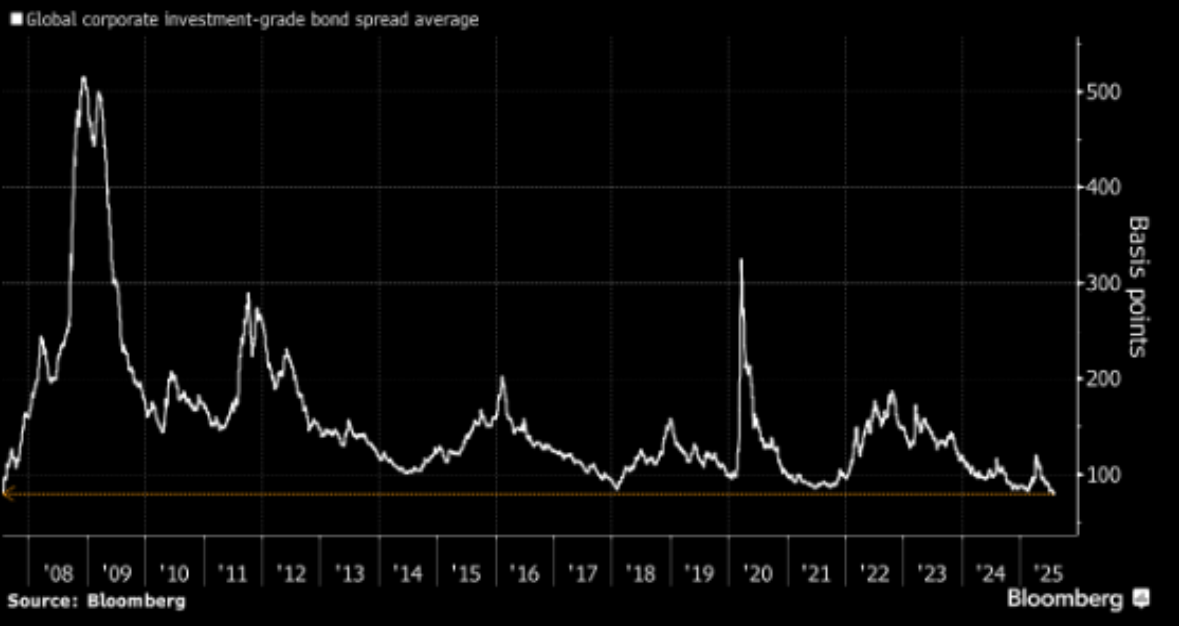
Financials

- U.S. bank trading desks benefitted from the prevailing market volatility. Equities desks at Goldman Sachs and Bank of America posted record revenues, and strong earnings were swiftly followed by a wave of debt issuance across the capital structure—including preferred securities, Tier 2 instruments, and senior notes. European banks also reported generally solid fundamental performance. Meanwhile, UniCredit withdrew its takeover bid for Banco BPM, ending an eight-month pursuit that had faced consistent government resistance.

High Yield

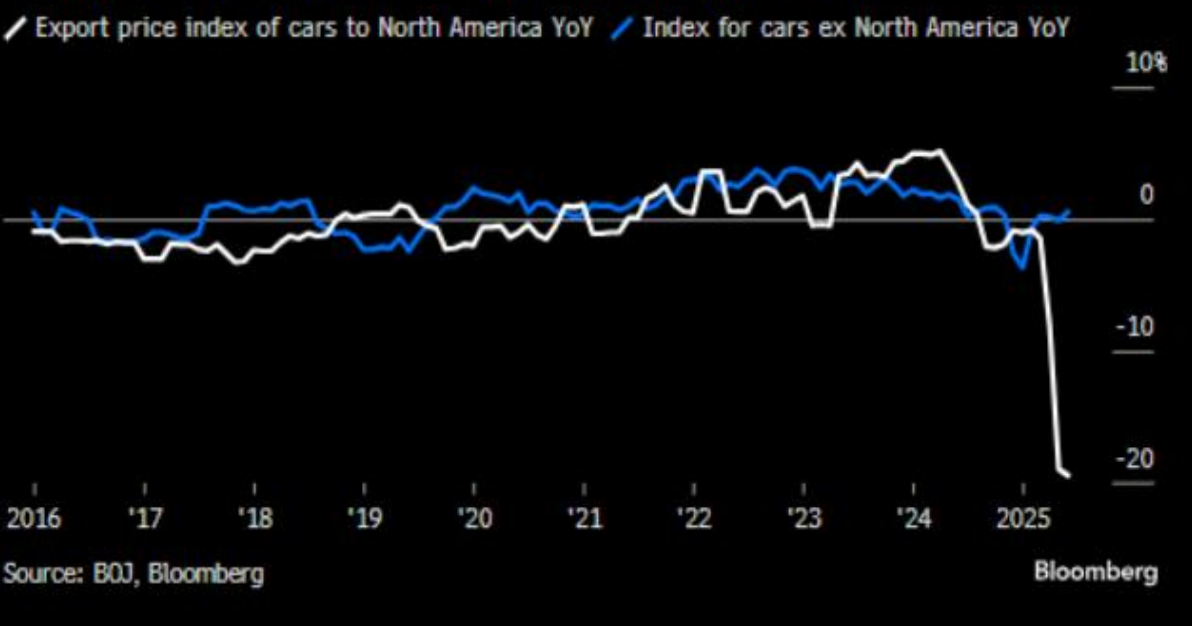
- US HY spreads touched a nine-month low early in July before widening modestly thereafter, in part due to a heavy primary calendar. Year-to-date, 2025 has recorded the highest volume of high yield issuance since at least 2017. In Europe the spread on the Itraxx Crossover index tightened to the lowest level since 2022

Corporate Bond Spreads at Lowest Since 2007



Source: Bloomberg as at 31/07/25

Japan's Automakers Have Slashed Export Prices to US



Source: BOJ, Bloomberg as at 10/07/25

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