

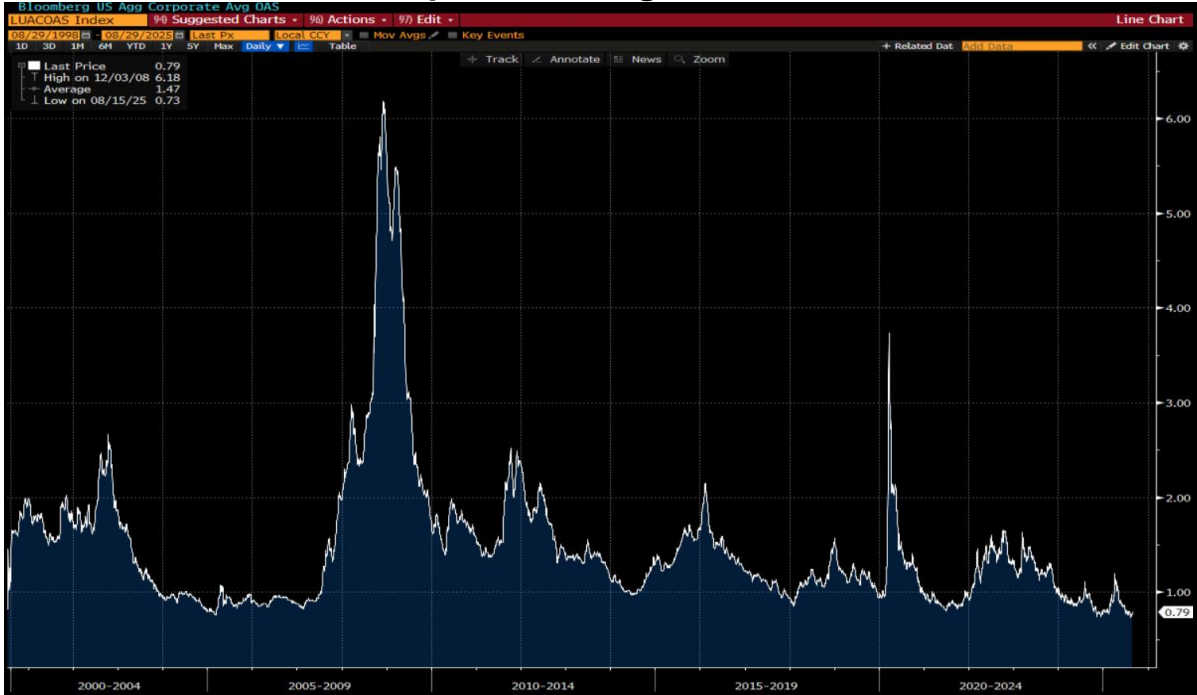
# Credit Market Overview



As at 29 August 2025

Measure	Level	1 Month	3 Month	6 Month	12 Month
Cash Spread/Yield Changes					
Global IG Corp YTW (%)	4.38	-0.10	-0.22	-0.16	-0.17
Global IG Spread (bps)	83	4	-11	-7	-19
Global HY YTW (%)	6.78	-0.21	-0.64	-0.41	-0.93
Global HY Spread (bps)	308	0	-43	-16	-76
Currency (Unhedged) Performance (%)					
Bloomberg USD Corp		1.01	2.97	2.63	3.91
Bloomberg GBP Corp		-0.50	1.74	1.63	3.34
Bloomberg Euro Corp		0.02	0.81	1.31	4.52
Higher Beta Sector (Hedged) Performance (%)					
Bank AT1		0.61	4.10	5.06	11.28
EUR High Yield		0.40	2.38	3.46	8.93
US High Yield		1.25	3.58	4.22	8.26
Leveraged Loans		0.55	2.10	3.75	7.90
EUR Corp Hybrids		0.16	2.73	3.72	9.51
Global EM USD Index		1.33	4.22	4.49	7.61
Rating Bucket Performance (%)					
US A		1.00	2.92	2.67	3.68
US BBB		1.05	3.10	2.76	4.48
US BB		1.27	3.25	4.43	7.13
US B		1.11	3.39	3.78	7.47
US CCC		1.86	5.75	5.09	14.14
IG Maturity Bucket Performance (%)					
Short (1-3 Yr)		0.87	1.73	2.92	5.30
Intermediate (5-10 Yr)		1.31	3.41	4.18	5.73
Long		0.67	3.64	0.40	0.44
Global IG Corp Index Attribution (%)					
Carry		0.37	1.15	2.27	4.55
Duration		0.61	0.67	-0.08	-0.84
Spread		-0.23	0.64	0.42	1.15
Performance		0.75	2.46	2.61	4.87

US Investment Grade Spreads at Tightest Level Since 1998



Source: Bloomberg as at 29/08/25

Overview

- Credit spreads widened modestly in August; however, falling U.S. Treasury yields supported positive total returns across U.S. and global credit indices. A very weak U.S. nonfarm payrolls report for July, combined with Fed Chair Jerome Powell’s suggestion at the annual Jackson Hole symposium that the balance of risks had shifted, bolstered optimism over the trajectory of monetary policy. U.S. equities subsequently outperformed their European counterparts, mirroring developments in bond markets. Notably, while credit spreads ended the month wider, U.S. investment-grade spreads had earlier touched their tightest levels since 1998.

Investment Grade

- Corporate issuance is expected to rise as companies increase leverage to finance a wave of acquisitions announced in August. Keurig Dr Pepper agreed to acquire JDE Peet’s NV for €15.7 billion (\$18.4 billion) in a bid to revive its struggling coffee business, while AT&T committed to purchase \$23 billion of spectrum licenses from Echostar Corp. in an all-cash transaction, likely funded predominantly with new debt. KDP’s bonds widened sharply following the deal, with S&P placing its ratings on CreditWatch Negative. Elsewhere, Ørsted bonds also weakened after the Trump administration blocked completion of a nearly finished offshore wind farm. The timing was particularly adverse, coinciding with the firm’s planned 60 billion kroner equity raise.
- More positively, Intel benefitted from news that the U.S. government had acquired a 10% stake in the company, via an \$8.9 billion investment funded by previously undistributed CHIPS Act grants.

Financials

- Supported by solid July bank earnings, financial spreads tightened further in August, aided by strong inflows. The effect was most notable in Additional Tier 1 (AT1) debt, where both yields and spreads compressed. A similar dynamic was observed in the riskiest part of the insurance market, with Allianz attracting more than \$12 billion of demand for its new Restricted Tier 1 (RT1) issue.

High Yield

- Markets interpreted Powell’s Jackson Hole remarks as dovish, driving yields on U.S. high-yield debt to a 40-month low in August. Nonetheless, concerns remain over the financial health of weaker issuers. Spirit Airlines exemplified these risks, filing for bankruptcy for the second time in less than a year, despite already having restructured nearly \$800 million of debt in its prior filing.

Euro HY Non-Financials: Leverage, Interest Coverage



Source: Bloomberg as at 28/08/25



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