

## KEY TAKEAWAYS

- Global credit generated negative returns as rates moved higher in April driven by sticky inflation prints
- We expect further divergence between the Fed and European Central Bank (ECB); at the end of the month, the market was expecting three cuts from the ECB before year-end starting in June, and just one from the Fed in December. This compares to the start of the month when both central banks were expected to cut roughly three times this year, starting in June
- Primary market activity for both high yield and investment grade continued apace, and coupon/carry remains a meaningful driver of total returns
- In Emerging Markets (EM) one of April's key drivers came from sovereign ratings action with multiple downgrades and some affirmations. The growth picture in Asia surprised on the upside with both China and Korea's first-quarter GDP coming in higher than expected

## HIGH YIELD AND LEVERAGED LOAN TECHNICALS

### US Retail Fund Flows

US\$4.6 billion in high yield outflows, US\$1.8 billion in leveraged loan retail inflows MTD (through 04.30)

<b>HY New Issuance*</b>	US	EUROPE
YTD	US\$114.0 bn	US\$36.1 bn
MTD	US\$26.4 bn	US\$15.1 bn
<b>Loan New Issuance*</b>	US	
YTD	US\$390.0 bn	
MTD	US\$72.4 bn	

### Main Market Driver

Macro: Rates and inflation

Micro: HY outflows, loan inflows

### Default Rates (Dollar weighted)\*\*

	US	EUR
LTM	2.7%	2.3%

### US New Issuance Names (500 mn and above) MTD

Fortress Trans & Infracore, Rakuten Group, Dye & Durham Limited, Geo Group Inc., Herbalife, Genesee & Wyoming Inc., Melco Resorts Finance, Taseko Mines Ltd, Vistra Operations, Endo Finance Holdings Inc., EquipmentShare.com, Transocean Inc., ZF North American, Rocket Software Inc., Sunoco, Flutter Treasury, Vallourec, Jane Street, Six Flags Entertainment, Vail Resorts Inc., Encino Acquisition Partners, ION Corp, Brightline, Harvest Midstream, US Acute Care, Iliad Holdings

### US New Issuance Pipeline (Announced)

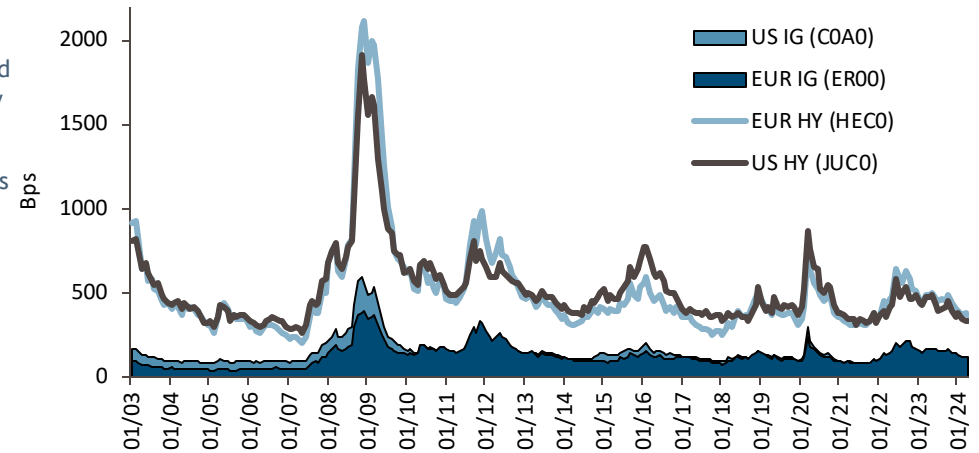
SS&C Technologies

**Note:** Reference to the names of each company mentioned in this communication is merely for explaining the investment strategy and should not be construed as investment advice or investment recommendation of those companies.

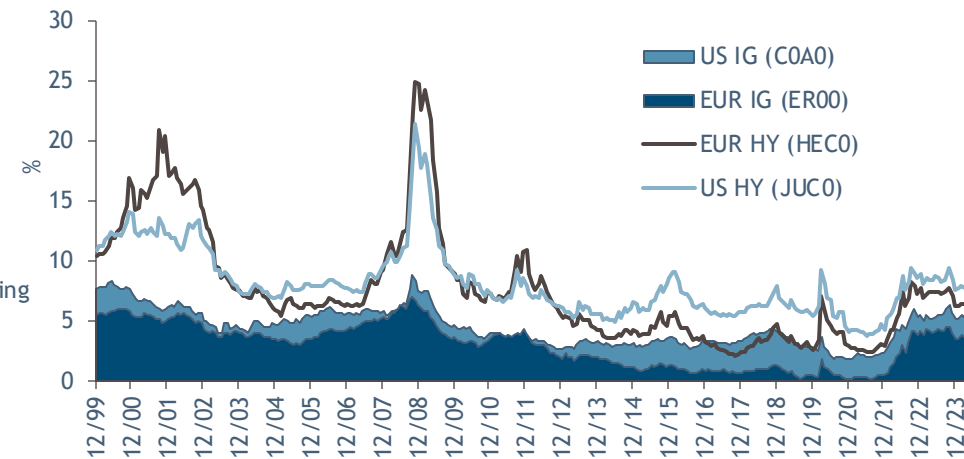
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\*\*Moody's Default Report as of March 31<sup>st</sup>, 2024. Most recent data available used.

## CORPORATE BOND SPREADS (STW) BY INDEX



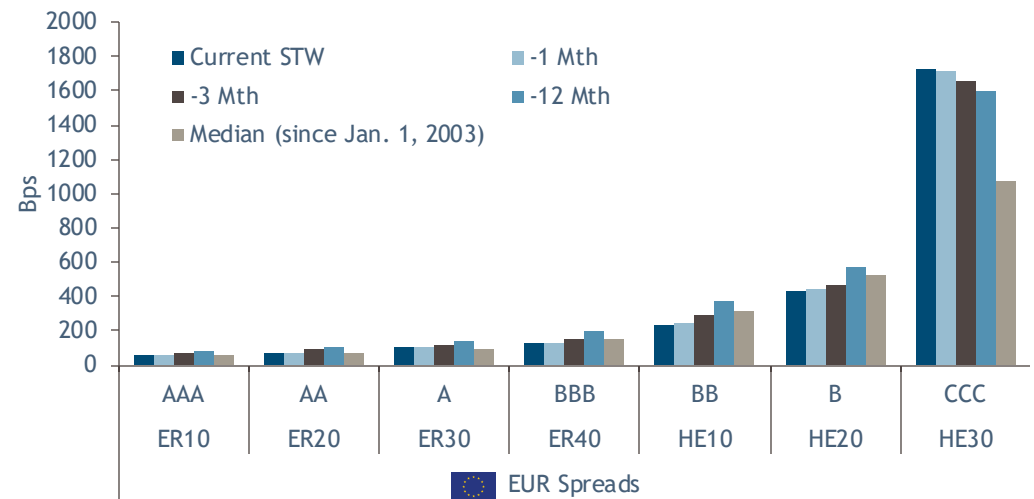
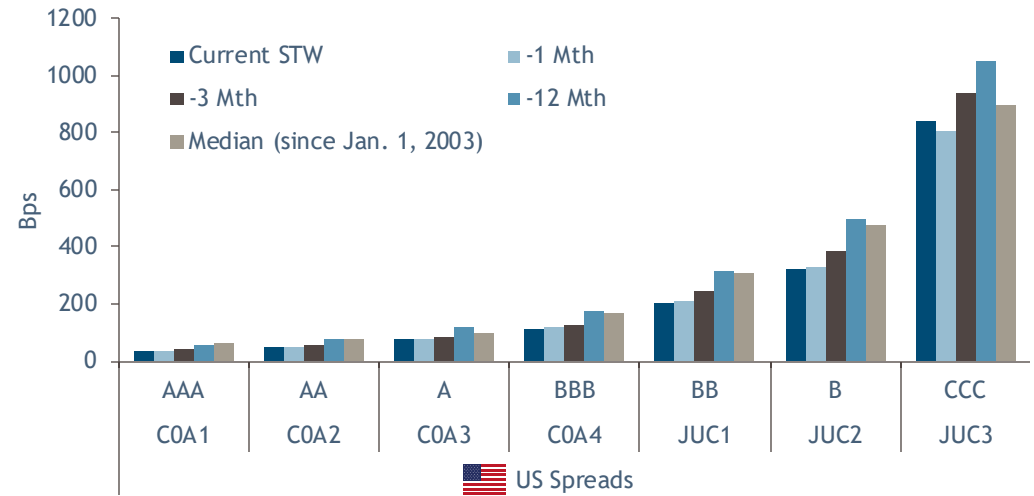
## CORPORATE BOND YIELDS (YTW) BY INDEX



## CORPORATE BOND SPREADS (STW) - APRIL 30, 2024

	Index	Rating	Current STW	-1 Mth	-3 Mth	-12 Mth	Median (since Jan. 1, 2003)
<b>US</b>	COA0	IG	92	96	103	144	129
	JUC0	HY	329	328	376	470	451
	JUC4	BB/B	254	261	309	398	383
	COA1	AAA	36	38	40	58	63
	COA2	AA	49	51	56	78	75
	COA3	A	78	81	87	122	102
	COA4	BBB	115	119	128	178	170
	JUC1	BB	205	209	245	315	311
	JUC2	B	320	330	385	500	475
	JUC3	CCC	842	809	936	1050	898
<b>EM</b>	EMCL	All	194	201	245	311	305
<b>EUR</b>	ER00	IG	114	116	133	163	117
	HEC0	HY	372	377	395	492	432
	ER10	AAA	63	62	68	86	63
	ER20	AA	74	76	89	105	71
	ER30	A	102	103	119	139	97
	ER40	BBB	133	135	154	195	148
	HE10	BB	239	249	289	378	315
	HE20	B	436	449	467	569	528
	HE30	CCC	1722	1721	1656	1595	1072

## CORPORATE BOND SPREADS (STW)



## MARKET PERFORMANCE % AND STATISTICS - APRIL 30, 2024

		Performance Summary (%)				Characteristics			Performance History (% , annualised)					
<b>High Yield</b>		MTD	Pr. Mth	QTD	YTD	DTW (yrs)	YTW (%)	STW (bps)	1 Year	2 Year	3 Year	4 Year	5 Year	
JUC0	US HY	-1.01	1.18	-1.01	0.45	3.61	8.13	329	8.83	4.91	1.51	5.82	3.51	
JC4N	US HY BB-B	-0.95	1.15	-0.95	0.30	3.67	7.38	254	7.92	4.68	1.36	5.11	3.41	
HEC0	Euro HY	-0.03	0.44	-0.03	1.60	3.00	6.58	372	10.33	4.39	0.62	4.29	2.19	
HEC5	Euro HY BB-B	-0.07	0.65	-0.07	1.58	3.06	5.73	289	10.12	4.50	0.68	3.84	1.81	
<b>Investment Grade</b>														
COA0	US IG	-2.33	1.19	-2.33	-2.41	6.59	5.77	92	1.40	1.01	-2.85	-0.93	1.03	
C4NF	US BBB Corporates	-2.37	1.29	-2.37	-2.39	6.74	5.95	111	2.05	1.59	-2.77	-0.16	1.29	
ER00	Europe IG	-0.84	1.21	-0.84	-0.44	4.49	3.92	114	5.15	0.23	-2.65	-0.85	-0.77	
EN40	Europe BBB	-0.84	1.21	-0.84	-0.31	4.50	4.02	125	5.42	2.67	1.77	1.33	1.06	
<b>Governments (7-10 Year Indices)</b>														
G4O2	US Treasuries 7-10 Yrs	-3.04	0.72	-3.04	-4.33	7.12	4.70	3	-5.31	-3.06	-4.96	-5.13	-1.00	
G4L0	UK Gilts 7-10 Yrs	-2.83	1.81	-2.83	-4.56	7.30	4.28	-2	-0.57	-5.41	-5.82	-5.37	-2.76	
G4D0	German Fed Govt 7-10 Yrs	-2.10	1.09	-2.10	-3.65	7.76	2.55	0	0.28	-4.36	-5.87	-5.06	-3.33	
<b>Equities</b>														
S&P	S&P 500 incl. Dividends	-4.08	3.22	-4.08	6.04				22.65	12.20	8.05	16.48	13.17	
DAX	DAX Index	-3.03	4.61	-3.03	7.05	YTM (%)	Discount Margin		12.62	12.78	5.81	13.35	7.75	
<b>Loans</b>														
								bps (3yr life)						
CS Leveraged Loan Index		0.68	0.83	0.68	3.22	9.78		504	12.10	7.41	5.88	8.41	5.11	
CS Western European Leveraged Loan Index		0.78	0.19	0.78	2.84	8.57		490	10.35	6.12	4.64	6.92	4.09	

Past performance is not a reliable indicator of current or future performance.

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## CREDIT MARKET UPDATE

### US:

In the US, credit markets generated negative returns as rates moved higher in April driven by sticky inflation prints. Spreads were largely unchanged despite significant intra-month volatility on the back of headlines from the Middle East and the expectation that Fed rate cuts will continue to be pushed back. For reference, at the end of April, the market was expecting just one Fed rate cut this year in December, compared to almost three cuts expected at the beginning of the month. We believe that there could be continued rate volatility through the year due to conflicting economic data releases. The US elections in November could also introduce rate volatility stemming from differing economic messages and policies. Primary market activity for both high yield and investment grade continued apace, and coupon/carry remains a meaningful driver of total returns.

### Europe:

In Europe, credit markets generated negative returns as rates moved higher in April driven by sticky inflation prints. Spreads were largely unchanged despite significant intra-month volatility on the back of headlines from the Middle East and the expectation that Federal Reserve (Fed) rate cuts will continue to be pushed back. We expect further divergence between the Fed and European Central Bank (ECB); at the end of the month, the market was expecting three cuts from the ECB before year-end starting in June, and just one from the Fed in December. This compares to the start of the month when both central banks were expected to cut roughly three times this year, starting in June. The US elections in November could also introduce rate volatility stemming from differing economic messages and policies. This month Europe outperformed the US, and high yield outperformed investment grade.

### EM:

Emerging Market (EM) debt generated negative returns as rates moved higher due to sticky inflation prints and a pickup in the global manufacturing cycle. One of April's key drivers came from sovereign ratings action. Fitch downgraded Panama to high yield (HY), highlighting the sovereign's fiscal and governance challenges, exaggerated by the recent mine closure and reliance on external financing. In China, Fitch revised its sovereign outlook to negative, citing concerns around public financing and the property sector. Meanwhile, Peru was downgraded by S&P to a BBB- rating, noting political uncertainty and its negative effect on growth. Israel also received the same treatment on the back of the escalation in geopolitical tensions. On a more positive note, the ratings agency re-affirmed Hungary and Romania's current BBB- ratings. The growth picture in Asia surprised on the upside with both China and Korea's first-quarter GDP coming in higher than expected due to industrial production, strong exports, and manufacturing investment. EM central banks largely continued their rate cutting trajectory, with cuts from Peru, Argentina, and Hungary (which slowed its pace of easing in line with expectations). The exception came from Indonesia, which surprised the market with a hike to anchor interest rate stability and combat rising commodity prices.

### Outlook

Year to date, spreads and coupons continue to effectively buffer the negative total return impact of rising government yields, contributing to positive excess returns across global credit. In our view, prices generally remain discounted, providing cushion for potential additional interest rate volatility. Globally, trailing 12-month defaults across high yield markets remain below the long-term average due to solid operating results and an open refinancing market. Looking ahead, we anticipate continued primary market activity as companies address upcoming maturities and investors deploy cash balances. We expect the "higher for longer" theme to remain intact based on continued economic strength, and are managing credit spreads, positioning, and portfolio duration profiles accordingly. While credit spreads are inside long-term averages, we believe that credit investors who focus on yields that are above long-term averages are being appropriately compensated during this period of continued economic expansion.

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## Important Information

The following indices referenced in the snapshot are ICE BofA indices:

JUC0 - ICE BofA US Cash Pay High Yield Constrained Index  
JUC1 - ICE BofA BB US Cash Pay High Yield Constrained Index;  
JUC2 - ICE BofA Single-B US Cash Pay High Yield Constrained Index;  
JUC3 - ICE BofA CCC and Lower US Cash Pay High Yield Constrained Index;  
JUC4 - ICE BofA BB-B US Cash Pay High Yield Constrained Index;  
JC4N - ICE BofA BB-B US Non-Financial Cash Pay High Yield Constrained Index;  
HECO - ICE BofA Euro High Yield Constrained Index;  
HE10 - ICE BofA BB Euro High Yield Index;  
HE20 - ICE BofA Single-B Euro High Yield Index;  
HE30 - ICE BofA CCC & Lower Euro High Yield Index;  
HEC5 - ICE BofA BB-B Euro Non-Financial High Yield Constrained Index;  
COA0 - ICE BofA US Corporate Index;  
COA1 - ICE BofA AAA US Corporate Index;  
COA2 - ICE BofA AA US Corporate Index;  
COA3 - ICE BofA Single-A US Corporate Index;  
COA4 - ICE BofA BBB US Corporate Index;  
C4NF - ICE BofA BBB US Non-Financial Corporate Index;  
ER00 - ICE BofA Euro Corporate Index;  
ER10 - ICE BofA AAA Euro Corporate Index;  
ER20 - ICE BofA AA Euro Corporate Index;  
ER30 - ICE BofA Single-A Euro Corporate Index;  
ER40 - ICE BofA BBB Euro Corporate Index;  
EN40 - ICE BofA BBB Euro Non-Financial Index;  
G4O2 - ICE BofA 7-10 Year US Treasury Index  
G4L0 - ICE BofA 7-10 Year UK Gilt Index  
G4D0 - ICE BofA 7-10 Year German Government Index;  
EMCL - ICE BofA US Emerging Markets Liquid Corporate Plus Index.

S&P 500 - The Standard & Poor's 500 Index (S&P 500) is an index of 500 stocks seen as a leading indicator of U.S. equities and a reflection of the performance of the large cap universe, made up of companies selected by economists. DAX - The German Stock Index is a total return index of 30 selected German blue chip stocks traded on the Frankfurt Stock Exchange. The equities use free float shares in the index calculation.

CS Leveraged Loan Index - The CS Leveraged Loan Index is designed to mirror the investable universe of US dollar denominated leveraged loan market. The index is rebalanced monthly on the last business day of the month instead of daily. Qualifying loans must have a minimum outstanding balance of \$100 million for all facilities except TL A facilities (TL A facilities need a minimum outstanding balance of US\$1 billion), issuers domiciled in developed countries, at least one year long tenor, be rated "5B" or lower, fully funded and priced by a third party vendor at month-end.

CS Western European Leveraged Loan Index - The CS Western European Leveraged Loan Index is designed to mirror the investable universe of the Western European leveraged loan market. Loans denominated in US dollar or Western European Currencies are eligible for inclusion. The index is rebalanced monthly on the last business day of the month instead of daily. Qualifying loans must have minimum outstanding balance of \$100 million (in local currency), issuers with assets located in or revenues derived from Western Europe, at least one year long tenor, be rated "5B" or lower, fully funded and priced by a third party vendor at month-end.

All performance, duration, yield and spread data downloaded from Bloomberg. Markit iBoxx USD Leveraged Loan (IBOXLTRI), S&P 500 incl. Dividends, and DAX figures from Bloomberg. You cannot invest directly into an index.

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