

Key Takeaway*

- It was another challenging month with global credit markets declining, except for floating rate syndicated loans which gained slightly
- Market sentiment reflected concerns about the near-term impact of inflation on Federal Reserve (Fed) rate policy/actions and on corporate profitability, but also concerns about growth under tighter monetary policy
- In Europe, concerns about rising inflation and hawkish communication by the European Central Bank (ECB) put pressure on rates
- Emerging Markets (EM) continued to be challenged this month by negative performance from China (particularly due to the country's zero-COVID policy and the stressed property sector), continued pressures on Russian assets, and the march ever-higher of US rates

High Yield and Leveraged Loan Technicals

US Retail Fund Flows**

\$4.8 billion in high yield outflows, \$4.1 billion in leveraged loan retail inflows MTD (through 04.30)

HY New Issuance**	US	EUROPE	Main Market Driver*
YTD	\$57.4 bn	\$13.3 bn	Macro: Rates, Inflation and Central Banks
MTD	\$10.9 bn	\$0 bn	Micro: Muted high yield bond technicals
Loan New Issuance**	US	EUR	Default Rates***
YTD	\$147.4 bn		LTM 1.2% US 2.2%
MTD	\$26.9 bn		

US & European figures through April 30

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

Carvana Co, Entegris Inc, FMG Resources, Mineral Resources, Earthstone Energy, Hilcorp Energy, Vistajet Mealta

US New Issuance Pipeline MTD (Announced*)

Source: Muzinich

Market Performance % and Statistics as of 2022-04-30

		Performance				Characteristics		
		MTD	Pr.Mth	QTD	YTD	DTW	YTW	STW
High Yield								
JUC0	US HY Cash Pay Constr.	-3.64	-0.91	-3.64	-7.98	4.59	6.95	411
JC4N	US HY BB/B Non-Fncl. Constr.	-3.57	-0.83	-3.57	-7.90	4.70	6.49	364
HEC0	Euro HY Constr.	-2.87	-0.12	-2.87	-7.56	3.68	5.21	458
HEC5	Euro HY BB/B Non-Fncl. Constr.	-3.11	0.17	-3.11	-7.52	3.77	5.03	440
Investment Grade								
COA0	US Corp Master	-4.97	-2.64	-4.97	-12.33	7.42	4.29	139
C4NF	US Corporate BBB Non-Financial	-5.44	-2.84	-5.44	-13.47	7.77	4.63	172
ER00	EMU Corp	-2.77	-1.39	-2.77	-7.89	4.98	2.09	146
EN40	EMU Corp BBB Non-Financial	-2.90	-1.80	-2.90	-8.88	5.14	2.32	168
Governments (7-10 Yr Indices)								
G402	U.S. Treasuries 7-10 Yrs	-4.04	-3.93	-4.04	-10.27	7.87	2.90	5
G4L0	UK Gilts 7-10 Yrs	-2.11	-1.56	-2.11	-6.58	7.86	1.82	-3
G4D0	German Fed Govt 7-10 Yrs	-2.99	-3.32	-2.99	-8.61	8.10	0.84	0
Equities								
S&P	S&P 500 incl. Dividends	-8.72	3.71	-8.72	-12.92			
DAX	DAX Index	-2.20	-0.32	-2.20	-11.25			
Loans						Yield (%)	Discount Margin	
CS Leveraged Loan Index		0.17	0.04	0.17	0.07	(3yr life) 4.64%	bps (3yr life) 458	
CS Western European Leveraged Loan Index		-0.13	0.09	-0.13	-0.66	4.12%	477	

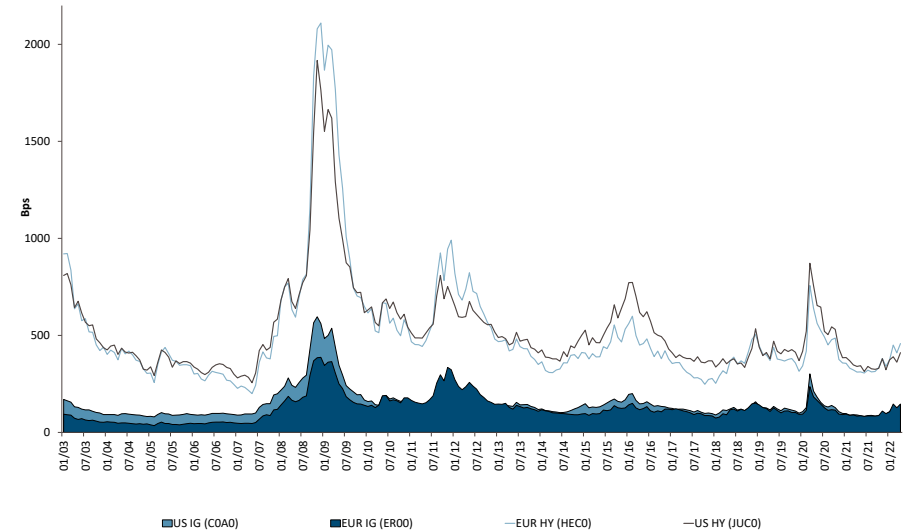
All performance, duration, yield and spread data downloaded from Bloomberg.

Past performance is not indicative of future results.

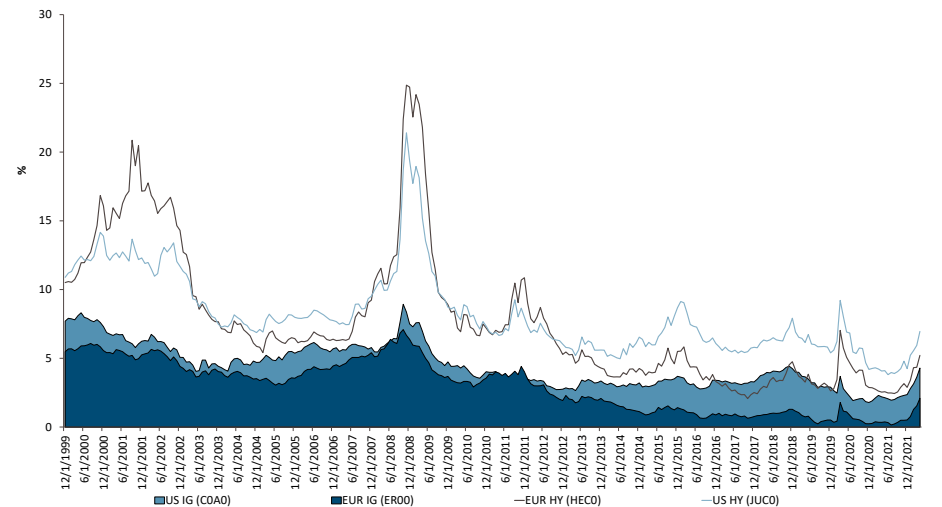
*Muzinich & Co. views and opinions, not to be construed as investment advice. **JP Morgan for U.S. and Credit Suisse for Europe; European figures include non-Euro issues of European companies. ***Moody's Default Report

2022-05-09-8536

Corporate Bond Spreads (STW) by Index

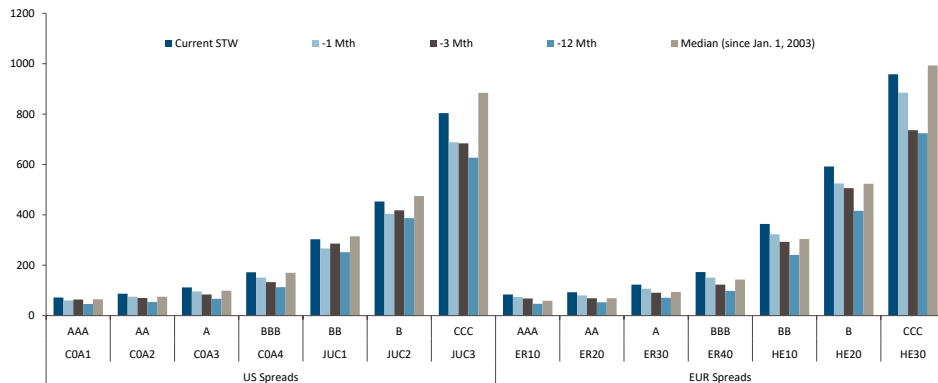


Corporate Bond Yields (YTW) by Index



Corporate Bond Spreads (STW) as of 2022-04-30

US/EM	Index	Rating	Current STW	-1 Mth	-3 Mth	-12 Mth	Median (since Jan. 1, 2003)
US/EM	COA0	IG	139	121	107	90	129
	JUC0	HY Constrained	411	362	374	340	457
	JUC4	BB/B	365	324	339	303	388
	COA1	AAA	72	60	64	46	65
US Spreads	COA2	AA	87	75	70	54	75
	COA3	A	112	96	84	67	99
	COA4	BBB	172	151	133	113	170
	JUC1	BB	303	267	286	252	315
	JUC2	B	453	404	418	387	475
	JUC3	CCC	804	688	684	627	885
	EM Spreads	EMCL	Emerging Markets	292	288	283	259
EUR							
EUR Spreads	ER00	IG	146	127	106	84	112
	HEC0	HY Constrained	458	410	374	311	419
	ER10	AAA	84	74	68	47	59
	ER20	AA	93	80	69	53	69
	ER30	A	123	107	91	71	94
	ER40	BBB	173	151	123	98	143
	HE10	BB	364	323	293	241	304
	HE20	B	592	525	506	416	524
	HE30	CCC	958	885	736	724	993



Credit Market Update*

US:

It was a challenging month for both US rates and risk assets. All of US fixed income declined in April, with the exception of loans, which are floating rate in nature. Duration sensitive Treasuries and investment grade corporates were the most impacted by a move higher in interest rates. Spread widening also hurt returns--albeit less so than rates--and had more impact on high yield in general, particularly CCCs. Market sentiment reflected concerns about the near-term impact of inflation on Federal Reserve (Fed) rate policy/actions and on corporate profitability, but also concerns about growth under tighter monetary policy. The Fed has reiterated the need to act to increase rates and wind down asset purchases. There was very little high yield issuance in April as companies had largely financed themselves during last year's low rate environment. Issuers that did come to market were issuers that had no choice. This included some mergers and acquisitions (M&A) driven deals, lingering re-financings, and companies in need of working capital. Investment grade new issuance brought YTD supply in-line with last year's pace (Source: Credit Suisse, 3 May 2022).

Europe:

It was another challenging month for European fixed income with high yield, investment grade, and governments declining. European loans, which are floating rate in nature, were slightly positive. Concerns about rising inflation and hawkish communication by the European Central Bank (ECB) put pressure on rates. Towards the end of the month, worries about the escalation of the Ukraine conflict drove risk-off sentiment. We are witnessing the end of Quantitative Easing in Europe and a large, indiscriminate buyer exiting the markets. Markets, we believe, have already had this largely priced in, with the amount of outstanding negative yielding debt declining dramatically. Yields have increased substantially over the last few weeks, and we believe much of the pain suffered by the investment grade market is behind us.

EM:

Emerging Markets (EM) continued to be challenged this month by negative performance from China (particularly due to the country's zero-COVID policy and the stressed property sector), continued pressures on Russian assets, and the march ever-higher of US rates. Market sentiment reflected concerns about the near-term impact of inflation on Federal Reserve (Fed) rate policy/actions and on corporate profitability, but also concerns about growth under tighter monetary policy. The Fed has reiterated the need to act to increase rates and wind down asset purchases. Meanwhile, the war in Ukraine seemed to reach a stalemate as Western politicians continue to search for ways to remove dependency on Russian energy without exacerbating prices. In China, the month ended with the hope that massive government support might counter the negative effects of the region's COVID lockdowns and inflationary bottlenecks, especially if the government hopes to achieve its 2022 growth target of 5.5%. Given the uncertainties and stresses of the current market environment, it is understandable that investors are requiring compensation. We believe that yields on corporate credit are now approaching relatively compelling levels.

Disclaimer

The following indices referenced in the snapshot are BofA Merrill Lynch indices. BofA Merrill Lynch data downloaded from Bloomberg: JUC0 - BofA ML U.S. High Yield, Cash Pay, Constrained Index; JUC1 - BofA ML U.S. High Yield, Cash Pay, BB Rated, Constrained Index; JUC2 - BofA ML U.S. High Yield, Cash Pay, B Rated Constrained Index; JUC3 - BofA ML U.S. High Yield, Cash Pay, CCC and Lower Constrained Index; JUC4 - BofA ML U.S. High Yield, Cash Pay, BB/B Rated Constrained Index; JUC4N - BofA ML BB/B U.S. Non-Financial, Cash Pay, High Yield Constrained Index; HEC0 - BofA ML Euro High Yield Constrained Index; HE10 - BofA ML Euro High Yield, B Rated; HE30 - BofA ML Euro High Yield, CCC and Lower Rated; HEC5 - BofA ML BB/B Euro Non-Financial High Yield Constrained Index; COA0 - BofA ML U.S. Corporate Master; COA1 - BofA ML U.S. Corporates, AAA Rated; COA2 - BofA ML U.S. Corporates, AA Rated; COA3 - BofA ML U.S. Corporates, A Rated; COA4 - BofA ML U.S. Corporates, BBB Rated; C4NF - BofA ML BBB U.S. Corporate Non-Financial Index; ER00 - BofA ML EMU Corporate Index; ER10 - BofA ML EMU Corporates, AAA Rated; ER20 - BofA ML EMU Corporates, AA Rated; ER30 - BofA ML EMU Corporates, A Rated; ER40 - BofA ML EMU Corporates, BBB Rated; EN40 - BofA ML EMU Corporates, Non-Financial, BBB Rated; G402 - BofA ML U.S. Treasuries, 7 - 10 Yrs; G4L0 - BofA ML UK Gilts 7 - 10 Yrs; G4D0 - BofA ML German Federal Governments, 7 - 10 Yrs. 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. EMCL - The ICE BofA ML US Emerging Markets Liquid Corporate Plus Index tracks the performance of the U.S. dollar denominated emerging markets non-sovereign debt publicly issued in the major domestic and eurobond markets. Qualifying issuers must have risk exposure to countries other than members of the FX G10, all Western European countries, and territories of the U.S. and Western European countries. 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 \$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.

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