

Key Takeaway*

- Global fixed income returns were mixed in November. It was a risk-off month with global high yield declining, global investment grade corporates barely positive, and Treasuries, Bunds and Gilts outperforming as investors flocked to the relative safety of government bonds
- Risk-off sentiment increased through the month, initially driven by inflation and potential acceleration of Federal Reserve (Fed) tightening, but increasingly due to COVID-19 concerns with rising cases/lockdowns in Europe and eventually the announcement of the newest COVID-19 variant, omicron
- In the UK, the Bank of England ultimately decided to leave rates unchanged, leading to a rally in short term interest rates earlier in the month
- In terms of monetary policy, it is potentially a big month for central bank announcements, notably from the European Central Bank (ECB) and Federal Reserve (Fed) and the Bank of England (BoE)

High Yield and Leveraged Loan Technicals

US Retail Fund Flows**

\$1.4 billion in high yield outflows, \$3.1 billion in leveraged loan retail inflows MTD (through 11.30)

HY New Issuance**	US	EUROPE	Main Market Driver*
YTD	\$472.4bn	\$136.8 bn	Macro: Risk-off sentiment. Inflation concerns.
MTD	\$32.4 bn	\$9.5 bn	Micro: Mixed flows.
Loan New Issuance**	US		Default Rates***
YTD	\$807.6 bn		US 2.1%
MTD	\$74.8 bn		EUR 2.1%

US & European figures through November 30

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

Dish DBS Corp., Ford Motor Company, Tenet Healthcare Corp, Venture Global, Teva Pharmaceuticals, Hertz Corp, SRS Distribution Inc, Open Text Corp, Asbury Auto Group, Parkland Corp, Molina Healthcare Inc, Navient Corp., Nabors Industries, Open Text Corp, Travel + Leisure Co., Nationstar Mortgage Holdings Inc., Jane Street, Progressive Holdings, United Site Services, Hub International Ltd, WMG Acquisition Corp, Station Casinos, United Wholesale

US New Issuance Pipeline MTD (Announced*)

Source: Muzinich

Market Performance % and Statistics as of 2021-11-30

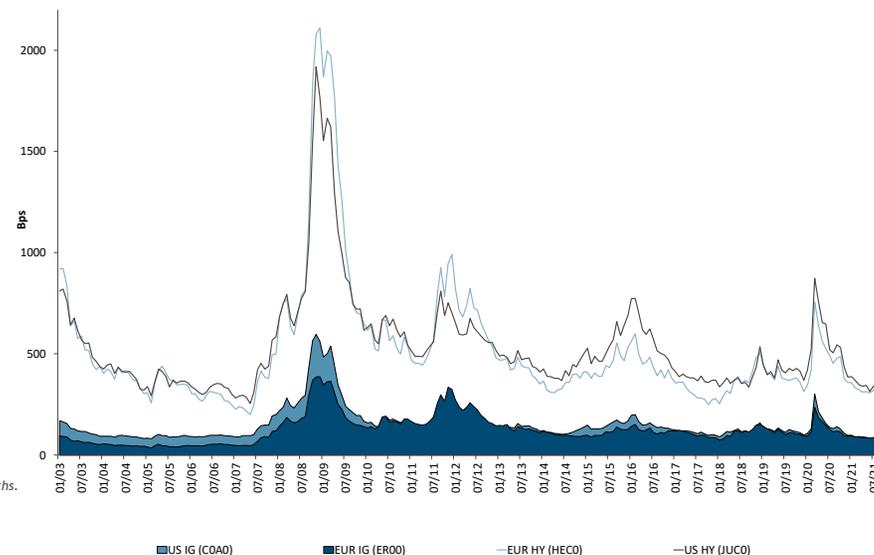
High Yield		Performance			Characteristics			
		MTD	Pr.Mth	QTD	YTD	DTW	YTW	STW
JUC0	US HY Cash Pay Constr.	-1.04	-0.18	-1.22	3.29	4.24	4.79	380
JC4N	US HY BB/B Non-Fncl. Constr.	-1.02	-0.17	-1.19	2.59	4.33	4.46	346
HEC0	Euro HY Constr.	-0.60	-0.60	-1.20	2.44	3.61	3.16	381
HEC5	Euro HY BB/B Non-Fncl. Constr.	-0.58	-0.56	-1.14	1.93	3.68	2.97	362
Investment Grade								
COA0	US Corp Master	0.09	0.25	0.34	-0.78	8.25	2.30	100
C4NF	US Corporate BBB Non-Financial	-0.01	0.30	0.29	-0.16	8.54	2.60	125
ER00	EMU Corp	0.17	-0.70	-0.53	-0.88	5.31	0.49	110
EN40	EMU Corp BBB Non-Financial	0.16	-0.73	-0.57	-0.57	5.45	0.62	122
Governments (7-10 Yr Indices)								
G402	U.S. Treasuries 7-10 Yrs	1.04	-0.31	0.73	-2.83	8.00	1.39	2
G4L0	UK Gilts 7-10 Yrs	1.92	-0.31	1.60	-3.66	7.93	0.74	-2
G4D0	German Fed Govt 7-10 Yrs	2.18	-0.99	1.16	-1.35	8.25	-0.46	0
Equities								
S&P	S&P 500 incl. Dividends	-0.70	7.01	6.26	23.17			
DAX	DAX Index	-3.75	2.81	-1.05	10.07			
Loans					Yield (%)	Discount Margin		
CS Leveraged Loan Index		-0.15	0.24	0.08	4.74	(3yr life) bps (3yr life)	4.15%	451
CS Western European Leveraged Loan Index		0.15	0.14	0.28	4.20		3.77%	413

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

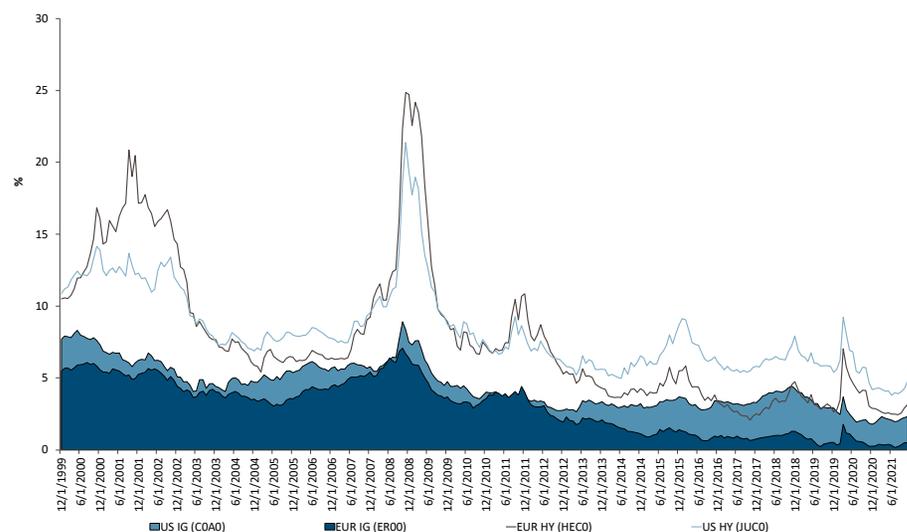
Past performance is not indicative of future results.

*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

Corporate Bond Spreads (STW) by Index

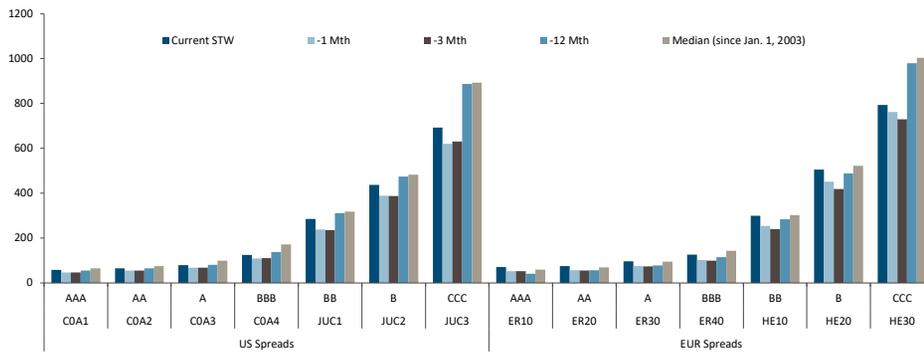


Corporate Bond Yields (YTW) by Index



Corporate Bond Spreads (STW) as of 2021-11-30

US/EM	Index	Rating	Current STW	-1 Mth	-3 Mth	-12 Mth	Median (since Jan. 1, 2003)
US/EM	COA0	IG	100	86	88	107	129
	JUC0	HY Constrained	380	330	328	433	462
	JUC4	BB/B	344	296	291	371	395
	COA1	AAA	58	46	46	55	65
US Spreads	COA2	AA	65	54	55	64	75
	COA3	A	79	67	68	80	99
	COA4	BBB	124	108	110	137	171
	JUC1	BB	285	238	235	311	317
	JUC2	B	436	388	387	473	482
	JUC3	CCC	692	620	630	887	892
	EM Spreads	EMCL	Emerging Markets	295	270	252	298
EUR							
EUR Spreads	ER00	IG	110	87	85	94	111
	HEC0	HY Constrained	381	334	312	376	419
	ER10	AAA	71	52	52	41	59
	ER20	AA	75	56	55	56	69
	ER30	A	96	74	73	77	94
	ER40	BBB	125	102	99	115	143
	HE10	BB	299	253	240	283	302
	HE20	B	505	451	418	488	522
	HE30	CCC	793	762	729	979	1004



Credit Market Update*

US:

It was a risk-off November with US high yield and loans declining, investment grade corporates barely positive, and Treasuries outperforming as investors flocked to the relative safety of government bonds. The risk-off sentiment increased through the month, initially driven by inflation and potential acceleration of Federal Reserve (Fed) tightening, but increasingly due to COVID-19 concerns with rising cases/lockdowns in Europe and eventually the announcement of the newest COVID-19 variant, omicron. High yield spreads widened to levels unseen since December 2020 (Source: Bloomberg as of November 30, 2021, JUC4 - The ICE BofA ML BB-B US Cash Pay High Yield Constrained Index). The high yield new issue calendar was lighter in November, and on the demand side of the technical equation, there were outflows. The US investment grade market was impacted by weaker inflows and risk-off sentiment as evidenced by spreads widening the most since March 2020. Nevertheless, investment grade managed to generate a positive return given the rally in Treasuries (yields lower).

Europe:

This month the ever-evolving COVID-19 pandemic returned to the fore, as markets reacted poorly to the new COVID-19 omicron variant, notably towards month end. This news came on top of rising cases across Europe, with lockdowns and restrictions re-imposed. Spreads widened in both high yield and investment grade, sending yields up and prices down. In the UK, the Bank of England ultimately decided to leave rates unchanged, leading to a rally in short term interest rates earlier in the month. The European Central Bank (ECB) meanwhile appears increasingly divergent from other major central banks in its dovish approach to monetary policy. Increased inflation across the eurozone, notably in Germany, has increased pressure on the ECB to tighten monetary policy, in line with other banks. The governing council is also expected to raise their 2022 inflation forecast at the December meeting. However, the ECB has repeated their guidance that many of the one-off causes of inflation, such as soaring energy prices and supply chain bottlenecks, are predicted to fade by the time new measures would take effect and are therefore continuing to issue less hawkish interest rate guidance.

EM:

Emerging Markets (EM) contended with a risk-off month driven by inflationary concerns and renewed COVID-19 induced uncertainty. While EM high yield declined this month along with the rest of the global high yield asset class, EM investment grade generated positive returns due to the rally in US Treasuries. In China, manufacturing activity increased slightly in November as power supply shortages eased and commodity prices stabilized to help improve output after two consecutive months of contraction. The property sector downturn and energy shortages also showed signs of abating this month as Beijing relaxed its crackdown on developers and intervened to control fuel prices. In Brazil, surging inflation and exchange rate uncertainty has stalled the country's pandemic recovery. In addition, economic contraction has been driven by an unprecedented drought which has caused a decline in the export of goods and services. In Turkey, the lira remained under pressure as the central bank continued its unorthodox approach to monetary policy by cutting interest rates in the face of rising inflationary pressures.

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, BB Rated; HE20 - BofA ML Euro High Yield, B Rated; HE30 - BofA ML Euro High Yield, CCC and Lower Rated; HE35 - 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; G4O2 - 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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