

## KEY TAKEAWAYS

-Global credit delivered strong positive returns led by US credit. US credit benefitted from a strong rally in Treasury yields and substantial spread tightening

-The trigger for the macro rally across assets has been the rising conviction of investors that the Federal Reserve (Fed) has finished its monetary policy tightening

-European markets also delivered positive returns due to a similar rally in government bond yields and spread tightening based on consensus that the European Central Bank has completed policy tightening

-Emerging Markets generated positive returns driven by the rising conviction of investors that the Fed has finished its monetary policy tightening, leading a number of central banks to similarly turn less hawkish

## HIGH YIELD AND LEVERAGED LOAN TECHNICALS

### US Retail Fund Flows

US\$11.3 billion in high yield inflows, US\$0.9bn billion in leveraged loan retail inflows MTD (through 11.30)

HY New Issuance*	US	EUROPE
YTD	US\$165.5 bn	US\$47.3 bn
MTD	US\$19.4 bn	US\$5.1 bn

Loan New Issuance*	US
YTD	US\$317.6 bn
MTD	US\$27.9 bn

### Main Market Driver

Macro: Rates

Micro: Strong HY Technicals

### Default Rates\*\*

LTM	US	EUR
	5.2%	2.7%

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

Raising Cane's, Hilcorp Energy, Bombardier, Venture Global, Smyrna Ready Mix Concrete, Axalta Coating Systems, Service Properties Trust, Spirit Aerosystems Inc, Goeasy Ltd, Transdigm Inc, Avis Budget Car, Nabors Industries, Fortress Trans & Infracore, Vertiv Group Corp, American Airlines, GFL Environmental Inc, Summit Materials, Genesis Energy

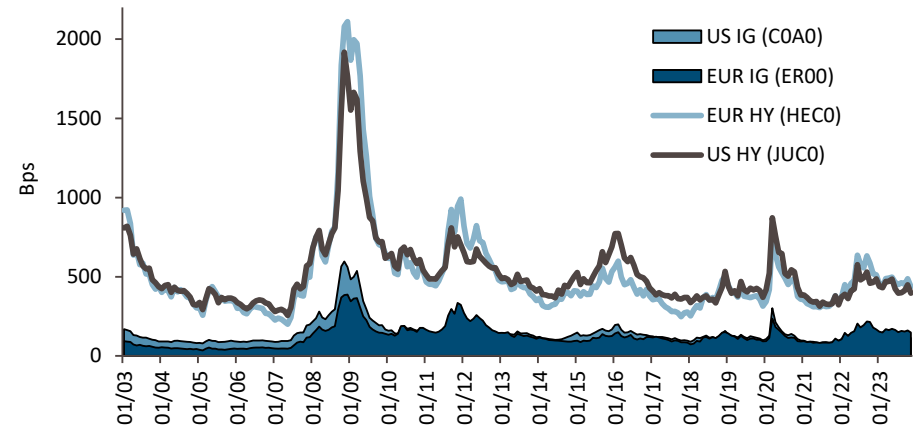
### US New Issuance Pipeline (Announced)

HASI (HAT Holdings), Alliant Holdings, CQP Holdco, Kinetik, NextEra Energy Partners, Enova, Univision Communication, J.B. Pointdexter

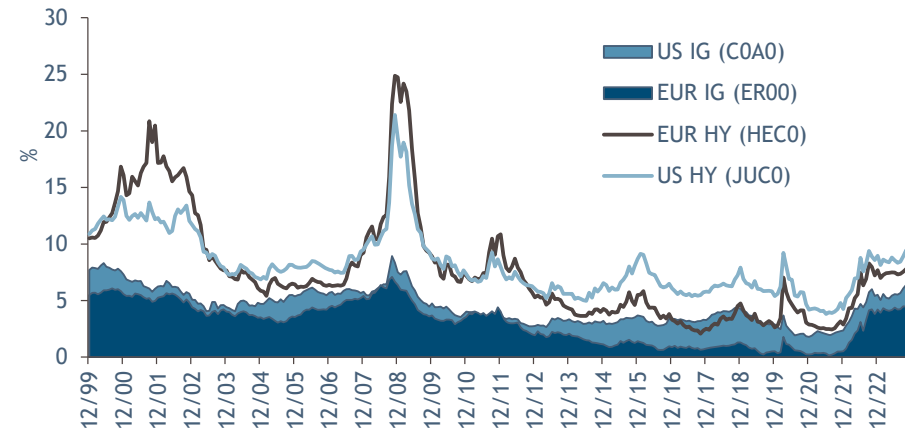
**Note:** Reference to the names of each company mentioned in this communication is merely for explaining the investment strategy and should not be construed as investment advice or investment recommendation of those companies.

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## CORPORATE BOND SPREADS (STW) BY INDEX



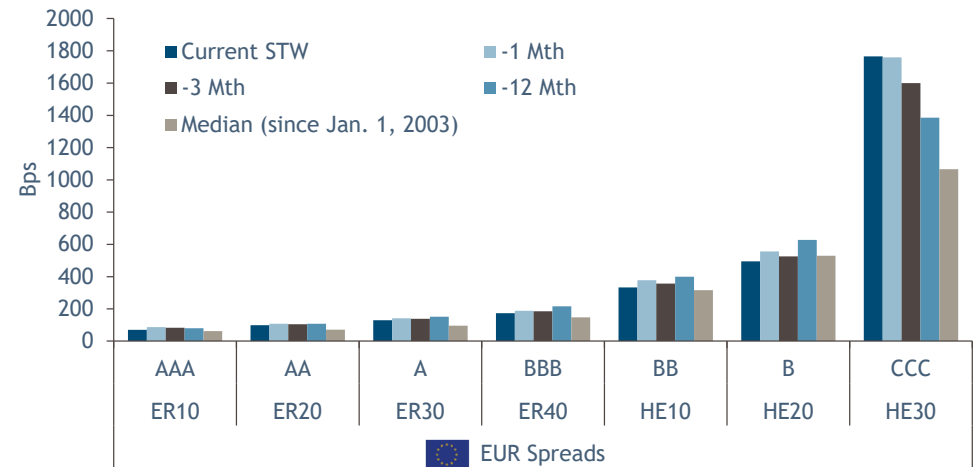
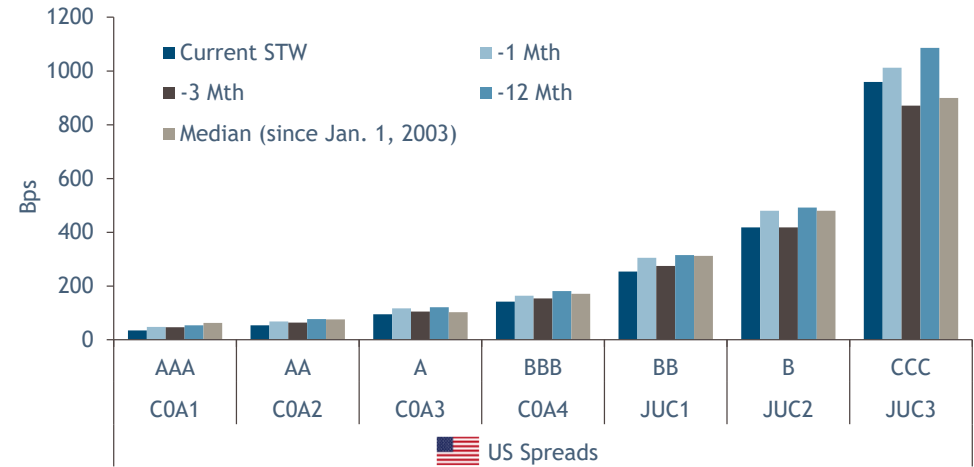
## CORPORATE BOND YIELDS (YTW) BY INDEX



## CORPORATE BOND SPREADS (STW) - NOVEMBER 30, 2023

	Index	Rating	Current STW	-1 Mth	-3 Mth	-12 Mth	Median (since Jan. 1, 2003)
<b>US</b>	COA0	IG	113	134	124	146	131
	JUC0	HY	397	449	400	464	459
	JUC4	BB/B	328	382	338	392	389
	COA1	AAA	35	48	47	54	63
	COA2	AA	54	68	64	77	76
	COA3	A	95	117	105	121	103
	COA4	BBB	142	164	154	181	171
	JUC1	BB	254	305	275	315	312
	JUC2	B	418	480	418	492	480
	JUC3	CCC	959	1012	871	1086	900
<b>EM</b>	EMCL	All	255	268	259	322	306
<b>EUR</b>	ER00	IG	148	161	158	180	117
	HEC0	HY	438	488	462	519	433
	ER10	AAA	70	87	83	80	62
	ER20	AA	99	108	105	108	71
	ER30	A	130	142	139	152	96
	ER40	BBB	173	188	185	216	148
	HE10	BB	333	378	357	400	316
	HE20	B	495	556	526	628	530
	HE30	CCC	1766	1760	1600	1386	1066

## CORPORATE BOND SPREADS (STW)



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## MARKET PERFORMANCE % AND STATISTICS - NOVEMBER 30, 2023

		Performance Summary (%)				Characteristics			Performance History (% annualised)				
High Yield		MTD	Pr. Mth	QTD	YTD	DTW (yrs)	YTW (%)	STW (bps)	1 Year	2 Year	3 Year	4 Year	5 Year
JUC0	US HY	4.58	-1.25	3.28	9.37	3.73	8.45	397	8.55	-0.45	1.42	2.61	3.98
JC4N	US HY BB-B	4.53	-0.95	3.54	8.71	3.81	7.76	329	7.83	-0.39	1.12	2.37	3.98
HEC0	Euro HY	2.86	-0.27	2.58	8.85	3.00	7.06	438	8.05	-1.40	0.14	0.84	2.54
HEC5	Euro HY BB-B	2.97	-0.24	2.72	8.98	3.09	6.50	384	8.05	-1.28	0.03	0.52	2.04
Investment Grade													
COA0	US IG	5.64	-1.82	3.72	4.18	6.66	5.68	113	3.96	-6.22	-4.29	-0.99	2.13
C4NF	US BBB Corporates	6.03	-1.90	4.02	5.01	6.80	5.86	133	4.74	-6.34	-4.08	-0.81	2.51
ER00	Europe IG	2.30	0.41	2.71	5.12	4.43	4.06	148	3.42	-4.95	-3.57	-2.10	-0.43
EN40	Europe BBB	2.33	0.30	2.64	5.56	4.45	4.22	163	3.76	1.86	1.24	0.93	0.74
Governments (7-10 Year Indices)													
G402	US Treasuries 7-10 Yrs	4.44	-1.92	2.44	-0.47	7.36	4.35	0	-1.55	-8.02	-6.41	-2.67	0.14
G4L0	UK Gilts 7-10 Yrs	2.75	-0.21	2.53	0.51	7.24	4.10	-4	-2.73	-9.23	-7.11	-4.59	-2.49
G4D0	German Fed Govt 7-10 Yrs	2.71	0.60	3.32	2.99	7.59	2.39	0	-1.14	-9.09	-6.61	-4.65	-2.78
Equities													
S&P	S&P 500 incl. Dividends	9.13	-2.10	6.84	20.79				13.81	1.65	9.74	11.61	12.50
DAX	DAX Index	9.49	-3.75	5.39	16.46	YTM (%)	Discount Margin		12.63	3.63	6.85	5.21	7.57
Loans													
		bps (3yr life)											
CS Leveraged Loan Index		1.19	0.03	1.22	11.26	9.77		558	11.65	5.25	5.53	4.92	4.74
CS Western European Leveraged Loan Index		0.97	-0.33	0.63	11.14	8.67		526	11.52	3.90	4.21	3.78	3.61

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

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## CREDIT MARKET UPDATE

### US:

US credit delivered positive returns in November with a strong rally in Treasury yields and substantial spread tightening. Spreads tightened significantly, with US investment grade spreads at year-to-date tightness and with US high yield within a few basis points of the year-to-date lows set in mid-September. The trigger for the macro rally across assets has been the rising conviction of investors that the Federal Reserve (Fed) has finished its monetary policy tightening. The consensus for the US is for continued (but slower) growth—a soft landing—the Goldilocks scenario for investors. Going forward, it seems likely the Fed will be more aligned with investor interests. If economic conditions now deteriorate, investors can expect support and a loosening of policy, bolstering asset prices—the opposite of the central bank function as it fought inflation over the last two years. Prices remain at discounts to par, yields remain near historical highs, and defaults remain relatively low; we believe this should help provide an additional tailwind to yield driven returns in 2024. We expect new issuance to increase next year as companies with callable bonds seek to refinance maturities early and extend their maturity profile, an additional positive for corporate credit fundamentals.

### EUROPE:

European credit markets generated positive returns in November with a strong rally in government bond yields and considerable spread tightening. The trigger for the macro rally across assets has been the rising conviction of investors that the ECB (European Central Bank) and the Federal Reserve (Fed) have finished their monetary policy tightening. The eurozone is expected to exit its shallow recession in the first half of 2024; headline inflation fell well below expectations, with energy prices as the largest driving component. Core prices also fell more than expected from the previous month. Disinflation is accelerating. The simplest reason for the huge rally is that if economic conditions now deteriorate, investors can expect support and a loosening of policy, bolstering asset prices—the opposite of the central bank function as it fought inflation over the last two years.

### EM:

Emerging Market debt delivered positive returns this month on the back of a strong rally in US Treasury yields and substantial spread tightening. With the rising conviction of investors that

the Federal Reserve (Fed) has finished its monetary policy tightening, a number of central banks are also turning less hawkish. In Central and Eastern Europe, Czechia and Hungary have indicated they might start to ease in December. In Korea, the central bank kept policy on hold, but scaled back its hawkish tone, and in Thailand there was a marked departure from previous hawkish rhetoric, signaling a likely end of the hiking cycle. Markets seem to be anticipating another cut from Brazil this month. Conversely, in Poland and Mexico, central banks continue to maintain more hawkish stances due to sticky inflation affecting services prices. While recent policy in China has increased investor confidence in growth for H1 2024, incoming data—including October activity and November PMIs (Purchasing Managers' Indexes)—suggest that the momentum of China's recovery remained somewhat tenuous last quarter. As a result, policymakers have promoted several growth-supportive measures, including support for financing privately-owned enterprises.

### OUTLOOK

With a continued softening of inflation data, October economic data coming in below expectations, and signs of a cooling labor market, the US 10-year Treasury rallied dramatically in November. Credit spreads also rallied strongly as the market embraced an “economic soft landing” with credit default projections expected to remain within long-term averages. The global rally in credit spreads has led spreads to their tightest levels year-to-date, and below long-term averages—except for Europe, which continues to trade wide of averages. The benefit of having credit in portfolios is highlighted in the total return from November and year-to-date. We don't need to know exactly how the economy will shake out over the coming year to know that credit will beat Treasuries in most scenarios over longer periods of time. We continue to believe in holding existing credit positions as a diversifier going into 2024, while looking to add during periods of market weakness.

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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;  
HEC0 - 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;  
G402 - 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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