

KEY TAKEAWAYS

-Global credit generated positive returns across the board in August. In the US, returns were once again driven by a strong rally in rates

-Shorter rates outperformed, leading rate curves to bull-steepen, with US data generally supportive of the Fed starting to cut rates in September

-In Europe, credit markets also generated positive returns with high yield outperforming investment grade due to higher yields and modest spread compression. Rate moves were more muted in Europe than in the US

-Emerging Market (EM) debt—especially hard currency debt—generated positive returns this month in line with rising US credit markets amidst growing clarity around a September US rate cut

HIGH YIELD AND LEVERAGED LOAN TECHNICALS

US Retail Fund Flows

US\$0.7 billion in high yield inflows, US\$4.1 billion in leveraged loan retail outflows
MTD (through 08.31)

HY New Issuance*	US	EUROPE
YTD	US\$203.1 bn	US\$72.4 bn
MTD	US\$18.1 bn	US\$0.5 bn
Loan New Issuance*	US	
YTD	US\$811.2 bn	
MTD	US\$25.8 bn	

Main Market Driver

Macro: Rates

Micro: Generally solid earnings season

Default Rates (Dollar weighted)**

	US	EUR
LTM	2.2%	2.2%

US New Issuance Names (500 mn and above) MTD

McGraw-Hill Education Inc., Allied Universal, Lightning Power, Post Holdings Inc., Walgreens Boots, Davita, Arcosa Inc., Parkland Corp, Archrock Partners, Moss Creek Resources, Shift4 Payments, Midcontinent Communications, Cleveland-Cliffs Inc., Jetblue Loyalty, OneMain Finance, Prime Healthcare, Gulfport Energy Corp, MGM Resorts

US New Issuance Pipeline (Announced)

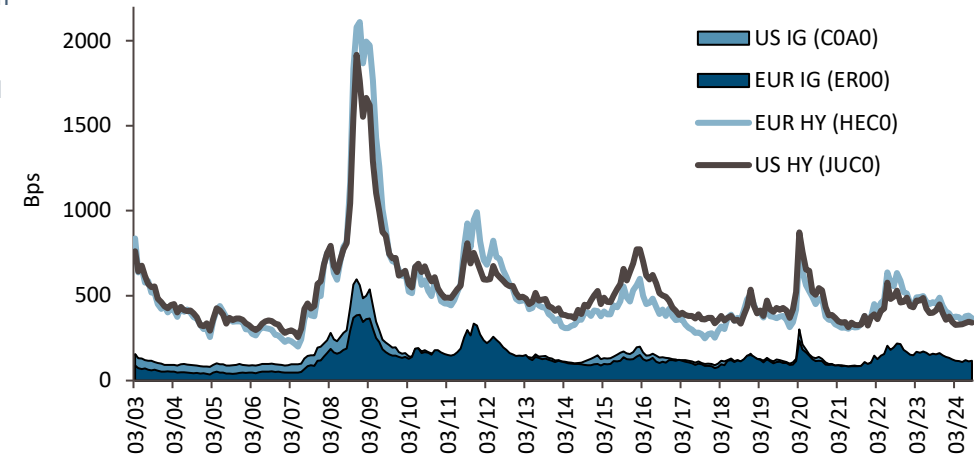
Restaurant Brands, Transdigm, Performance Food Group

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.

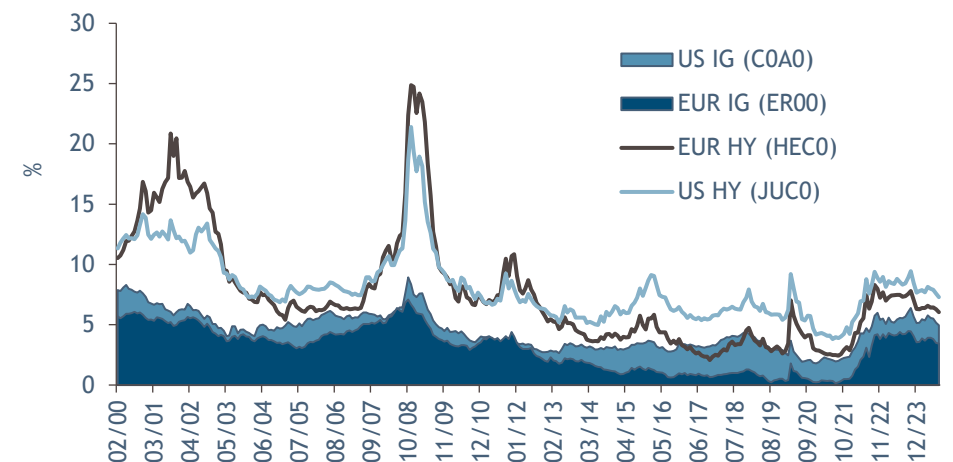
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**Moody's Default Report as of July 31st, 2024. Most recent data available used.

CORPORATE BOND SPREADS (STW) BY INDEX



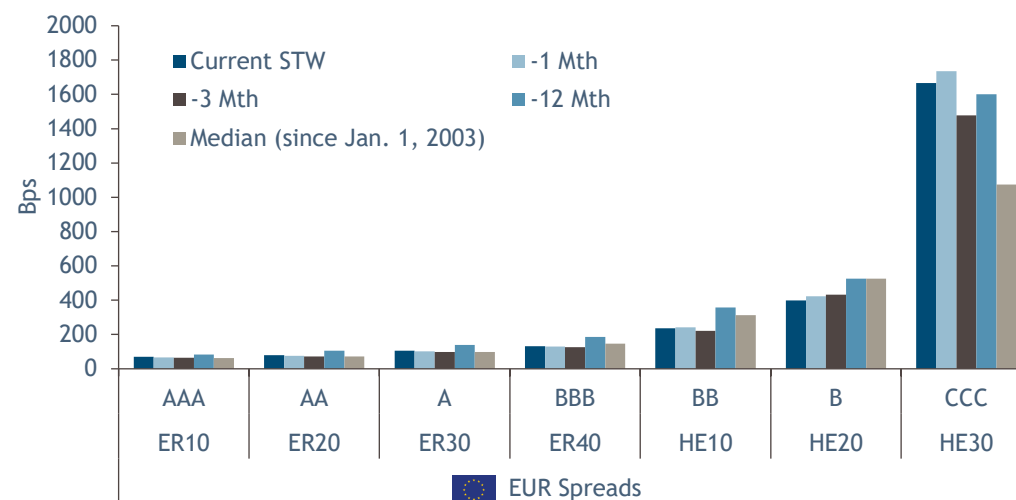
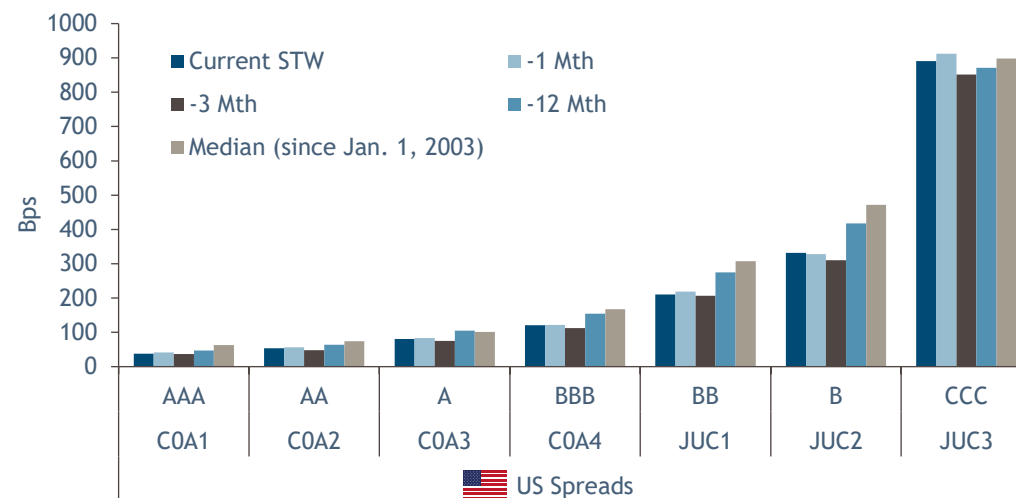
CORPORATE BOND YIELDS (YTW) BY INDEX



CORPORATE BOND SPREADS (STW) - AUGUST 31, 2024

	Index	Rating	Current STW	-1 Mth	-3 Mth	-12 Mth	Median (since Jan. 1, 2003)
US	COA0	IG	97	98	90	124	129
	JUC0	HY	341	347	332	400	450
	JUC4	BB/B	258	263	250	338	380
	COA1	AAA	38	41	37	47	63
	COA2	AA	54	56	48	64	74
	COA3	A	81	83	75	105	101
	COA4	BBB	121	122	112	154	168
	JUC1	BB	210	219	207	275	308
	JUC2	B	332	328	310	418	472
	JUC3	CCC	891	912	852	871	898
EM	EMCL	All	192	201	191	259	304
EUR	ER00	IG	116	112	110	158	117
	HEC0	HY	368	382	351	462	426
	ER10	AAA	71	67	65	83	63
	ER20	AA	80	76	72	105	72
	ER30	A	106	101	99	139	98
	ER40	BBB	132	129	127	185	147
	HE10	BB	237	241	221	357	312
	HE20	B	398	422	432	526	526
	HE30	CCC	1666	1735	1477	1600	1075

CORPORATE BOND SPREADS (STW)



MARKET PERFORMANCE % AND STATISTICS - AUGUST 31, 2024

		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	1.61	1.95	3.59	6.19	3.39	7.29	341	12.37	9.68	2.54	4.39	4.24
JC4N	US HY BB-B	1.53	1.66	3.22	5.72	3.43	6.47	259	11.70	9.13	2.31	3.79	3.97
HEC0	Euro HY	1.17	1.25	2.43	5.63	2.91	6.05	368	11.86	9.05	1.41	3.21	2.50
HEC5	Euro HY BB-B	1.16	1.19	2.36	5.36	2.94	5.13	280	11.51	9.01	1.42	2.99	2.14
Investment Grade													
COA0	US IG	1.53	2.36	3.93	3.97	6.79	4.96	97	9.45	5.11	-1.89	-0.77	0.82
C4NF	US BBB Corporates	1.54	2.37	3.94	4.11	6.96	5.17	118	10.14	5.93	-1.88	-0.36	1.09
ER00	Europe IG	0.30	1.71	2.02	2.57	4.46	3.45	116	7.33	4.09	-2.01	-0.87	-0.88
EN40	Europe BBB	0.35	1.77	2.12	2.91	4.49	3.54	125	7.84	3.84	2.55	1.90	1.52
Governments (7-10 Year Indices)													
G4O2	US Treasuries 7-10 Yrs	1.41	2.89	4.33	2.89	7.24	3.88	2	6.07	1.06	-3.62	-3.44	-1.15
G4L0	UK Gilts 7-10 Yrs	0.32	1.86	2.19	-0.48	7.23	3.91	-1	7.35	-0.33	-5.08	-4.30	-3.11
G4D0	German Fed Govt 7-10 Yrs	0.45	1.79	2.25	-0.16	7.82	2.21	0	4.10	-0.63	-5.24	-3.94	-3.67
Equities													
S&P	S&P 500 incl. Dividends	2.43	1.22	3.67	19.52				27.12	21.39	9.36	14.44	15.90
DAX	DAX Index	2.15	1.50	3.68	12.87	YTM (%)	Discount Margin		18.56	21.37	6.09	9.93	9.63
Loans								bps (3yr life)					
CS Leveraged Loan Index		0.60	0.73	1.33	5.84	8.54		495	9.81	9.44	6.26	6.82	5.54
CS Western European Leveraged Loan Index		0.58	0.97	1.55	5.75	7.76		470	8.74	8.75	5.18	5.85	4.55

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

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CREDIT MARKET UPDATE

US:

In the US, risk assets delivered positive returns across the board in August, once again driven by a strong rally in rates. Shorter rates outperformed, leading rate curves to bull-steepen, with US data generally supportive of the Fed starting to cut rates in September. Investment grade benefited from falling US government yields, while high yield benefited from seasonal low supply, inflows, and positive sentiment following the strong indication given by Chairman Powell at the annual Jackson Hole conference that rate cuts would be forthcoming at the FOMC (Federal Open Market Committee) meeting in September. The Fed's preferred inflation gauge, the PCE (Personal Consumption Expenditure) price index for July came in below target, with both headline and core inflation holding steady.

Europe:

In Europe, credit markets generated positive returns across the board in August. Rate moves were more muted than in the US; the 10-year Bund yield was flat on the month, and the 2-year Bund yield was approximately 14 basis points (bps) lower. BBB and single-A rated credit performed similarly in both Europe and the US, with spreads about 5bps wider in Europe and mostly unchanged in the US. In Europe, high yield outperformed investment grade due to higher yields and modest spread compression. While primary markets were relatively quiet through the first half of the month, they re-opened for European investment grade issuers in the second half of the month. This European supply drove some of the weaker relative spread performance for the month in Europe.

EM:

Emerging Market (EM) debt—especially hard currency debt—generated positive returns this month in line with rising US credit markets amidst growing clarity around a September US rate cut. The EM sovereign universe notably benefited from gains on long-dated securities in countries like Abu Dhabi, Peru, and Indonesia. EM investment grade outperformed its peer group in both the US and Europe, with Latin America as the strongest region in both investment grade and high yield. EM high yield performed in line with US high yield, demonstrating—in our view—that the rally in high yield credit markets was systematic “risk on”. Asia underperformed this month as the property sector continues to drag on Chinese growth prospects. By rating, the BBB rated bucket outperformed, benefiting from both government yields falling and spreads tightening.

Outlook

Following the Jackson Hole conference in late-August, investor focus seems to be concentrated on the US Fed's moves in the month ahead. We believe it is likely that we will see a shift in the Fed's priorities from keeping prices stable to promoting maximum employment. Additionally, investors are focused on the possibility of a “super-sized” 50bps rate cut in September, with the overnight interest rate swap market indicating a healthy chance of such a move. Although the Fed has telegraphed a 25bps cut, a weaker nonfarm payroll report earlier in September could prompt investors to price in a 50bps cut when the FOMC meets later in the month. Whatever the Fed ultimately decides, the market reaction will no doubt tell us much about investor sentiment.

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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;
C0A0 - ICE BofA US Corporate Index;
C0A1 - ICE BofA AAA US Corporate Index;
C0A2 - ICE BofA AA US Corporate Index;
C0A3 - ICE BofA Single-A US Corporate Index;
C0A4 - 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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