

## KEY TAKEAWAYS

-Global credit had a mostly risk-off month in March

-At the start of the month—as expected—the European Central Bank (ECB) cut rates by 25 basis points (bps) while the US Federal Reserve (Fed) stayed on hold

-A major theme for the month was the continued rate divergence between Europe and the US. After the announcement of Germany's new spending package—focused on defence and infrastructure—the German 10-year yield finished the month notably higher, while rates in the US were relatively unchanged as growing recession concerns continued to weigh on US Treasury yields

-In a departure from typical risk-off price action, Emerging Market (EM) corporate credit outperformed its European and US counterparts across both investment grade and high yield segments, with the former generating a positive total return for the month

## HIGH YIELD AND LEVERAGED LOAN TECHNICALS

### US Retail Fund Flows

US\$2.1 billion in high yield inflows, US\$4.1 billion in leveraged loan retail outflows  
MTD (through 03.31)

HY New Issuance*	US	EUROPE
YTD	US\$68.3 bn	US\$19.0 bn
MTD	US\$26.6 bn	US\$10.2 bn
Loan New Issuance*	US	
YTD	US\$336.8 bn	
MTD	US\$56.7 bn	

### Main Market Driver

Macro: Risk-off

Micro: Solid technical

### Default Rates

(Dollar weighted)\*\*

	US	EUR
LTM	2.7%	2.3%

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

Alumina Pty Ltd, Chord Energy Corp, OneMain Finance, Axon Enterprise Inc., Forestar Group Inc, Celanese US Holdings, Acadia Healthcare, Rockies Express Pipeline, Wayfiar LLC, Aris Water Holdings, PBF Holding, Williams Scotsman, Seplat Energy, Sunoco, XPLR Infrastructure, Capstone Cooper Corp., Starwood Property Trust, Bausch, Novolex, Mohegan, Forvia

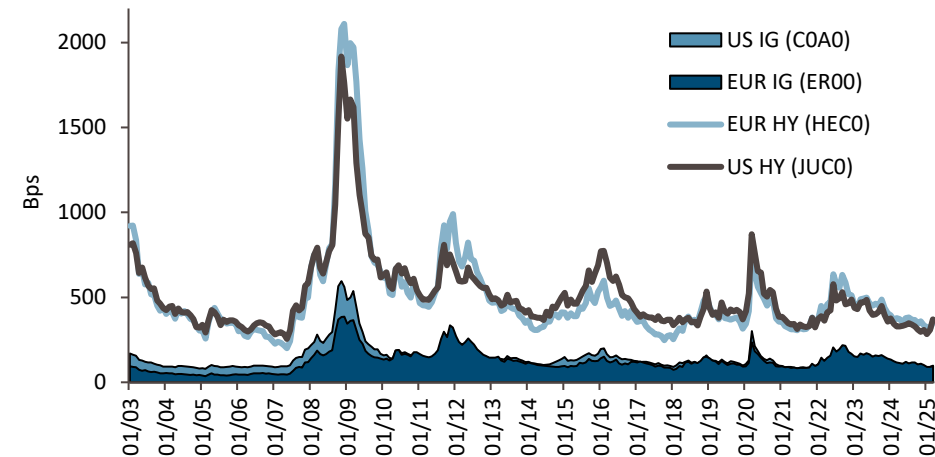
### US New Issuance Pipeline (Announced)

Owens & Minor

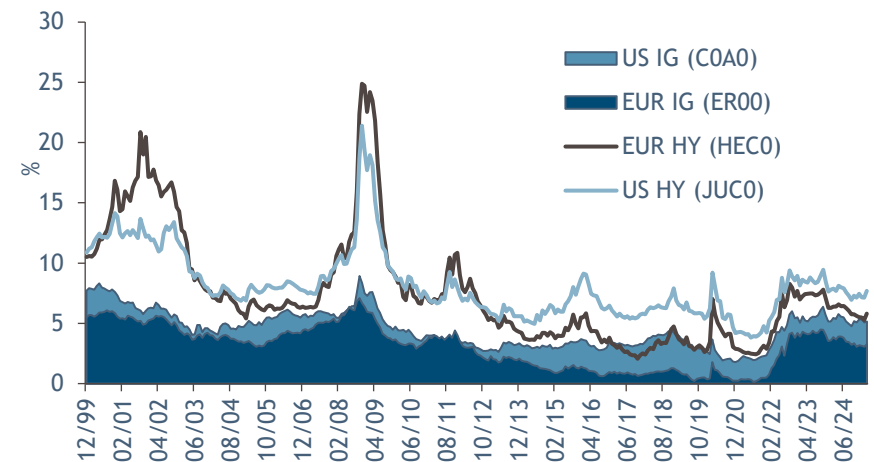
**Note:** Reference to the names of each company mentioned in this communication is merely for explaining the investment strategy and should not be construed as investment advice or investment recommendation of those companies.

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## CORPORATE BOND SPREADS (STW) BY INDEX



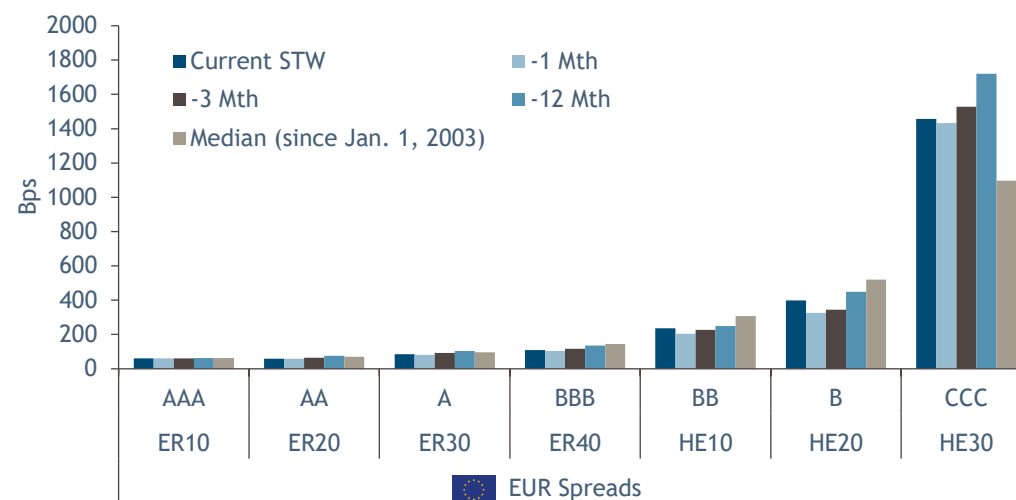
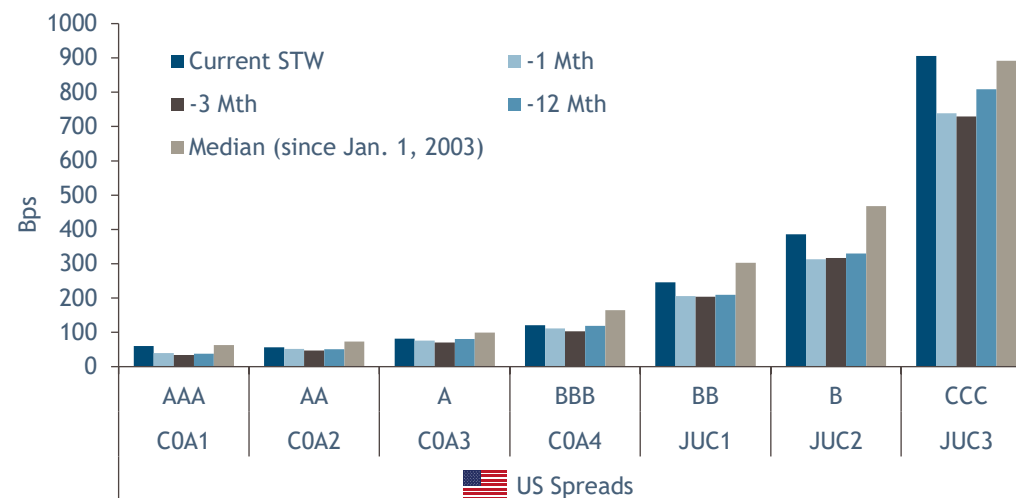
## CORPORATE BOND YIELDS (YTW) BY INDEX



## CORPORATE BOND SPREADS (STW) - MARCH 31, 2025

	Index	Rating	Current STW	-1 Mth	-3 Mth	-12 Mth	Median (since Jan. 1, 2003)
US	COA0	IG	98	90	83	96	128
	JUC0	HY	371	308	309	328	440
	JUC4	BB/B	301	248	248	261	371
	COA1	AAA	60	40	34	38	63
	COA2	AA	56	52	47	51	73
	COA3	A	82	76	70	81	99
	COA4	BBB	121	111	103	119	165
	JUC1	BB	246	206	204	209	303
	JUC2	B	386	313	317	330	468
	JUC3	CCC	906	739	729	809	892
EM	EMCL	All	191	181	179	201	299
EUR	ER00	IG	94	91	102	116	116
	HEC0	HY	355	314	335	377	420
	ER10	AAA	61	60	60	62	63
	ER20	AA	59	59	65	76	71
	ER30	A	85	82	93	103	97
	ER40	BBB	109	104	117	135	145
	HE10	BB	237	205	226	249	307
	HE20	B	399	325	344	449	520
	HE30	CCC	1457	1432	1527	1721	1097

## CORPORATE BOND SPREADS (STW)



## MARKET PERFORMANCE % AND STATISTICS - MARCH 31, 2025

		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	-1.07	0.67	0.97	0.97	3.38	7.69	371	7.51	9.24	4.82	3.52	7.17
JC4N	US HY BB-B	-0.88	0.66	1.12	1.12	3.43	7.00	303	6.51	8.17	4.35	3.14	6.50
HEC0	Euro HY	-0.99	1.04	0.64	0.64	2.90	5.81	355	7.56	9.21	4.43	2.48	6.17
HEC5	Euro HY BB-B	-0.99	0.94	0.46	0.46	2.91	5.10	288	7.09	8.88	4.28	2.41	5.76
Investment Grade													
COA0	US IG	-0.28	2.03	2.36	2.36	6.59	5.16	98	5.27	4.99	1.48	0.00	1.79
C4NF	US BBB Corporates	-0.38	2.06	2.28	2.28	6.81	5.38	118	5.45	5.39	1.77	0.12	2.73
ER00	Europe IG	-0.93	0.61	0.15	0.15	4.40	3.27	94	4.40	5.58	0.94	-0.72	1.05
EN40	Europe BBB	-0.98	0.73	0.15	0.15	4.44	3.37	104	4.75	2.35	1.56	1.17	0.93
Governments (7-10 Year Indices)													
G4O2	US Treasuries 7-10 Yrs	0.37	2.80	3.88	3.88	7.09	4.16	1	4.73	1.57	-0.87	-1.62	-2.53
G4L0	UK Gilts 7-10 Yrs	-0.70	0.77	0.90	0.90	7.16	4.55	-1	-0.46	0.28	-3.55	-3.80	-3.71
G4D0	German Fed Govt 7-10 Yrs	-2.18	0.68	-1.83	-1.83	7.52	2.63	0	-0.24	1.18	-3.30	-4.16	-3.56
Equities													
S&P	S&P 500 incl. Dividends	-5.63	-1.31	-4.28	-4.28				8.23	18.55	9.04	10.65	18.57
DAX	DAX Index	-1.72	3.77	11.32	11.32	YTM (%)	Discount Margin		19.85	19.08	15.42	10.24	17.41
Loans								bps (3yr life)					
S&P UBS Leveraged Loan Index		-0.26	0.15	0.61	0.61	8.57		498	7.01	9.68	7.10	6.12	8.90
S&P UBS Western European Leveraged Loan Index		-0.51	0.66	0.99	0.99	7.62		494	7.40	9.10	6.22	5.23	8.24

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

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## CREDIT MARKET UPDATE

### US:

US credit markets declined during this risk-off March, and US government bonds were once again the outperformers in response to ongoing uncertainty surrounding tariffs, political uncertainty, and potential slowing of the economy. While trends vary by sector, high yield fundamentals remain stable even as market views continue to evolve with tariff related uncertainty. In our view, market technicals were strong in March. Solid overall yields continued to attract investors to the high yield market this month, supported by positive mutual fund flows, although issuance was slightly below investor demand. Back when we were heading into 2025, the market expected a significant uptick in M&A driven supply that has yet to materialize. With tariff driven uncertainty driving heightened volatility for risk assets, there could be a temporary suppression of both investor demand and bond issuance.

### Europe:

European credit markets declined during this risk-off March. At the start of the month—as expected—the European Central Bank (ECB) cut rates by 25 basis points (bps) while the US Federal Reserve (Fed) stayed on hold. A major theme for the month was the continued rate divergence between Europe and the US. After the announcement of Germany’s new spending package—focused on defence and infrastructure—the German 10-year yield finished the month notably higher, while rates in the US were relatively unchanged as growing recession concerns continued to weigh on US Treasury yields. The potential for a positive growth shock in Europe, coupled with a steeper yield curve, helped European spreads to outperform (although they were still slightly wider). Meanwhile in the US, growth concerns, political uncertainty, and a flatter yield curve saw spreads move notably wider.

### EM:

Emerging Market (EM) debt performed better than expected in this risk-off March. EM corporate credit outperformed EM sovereigns. In a departure from typical risk-off price action, EM corporate credit outperformed its European and US counterparts across both investment grade and high yield segments, with the former generating a positive total return for the month. However, within the EM credit universe, performance trends aligned more closely with a risk-off environment—high-yield lagged investment grade, and rating buckets decompressed. CCC rated debt underperformed single-Bs, which trailed BBs, while BBBs fared better, and the single-A rated segment served as a safe haven. More defensive sectors—such as financials and utilities—outperformed, generating positive total returns, while shorter duration credit outperformed the broader market.

### Outlook

Credit markets were primarily driven by uncertainty related to US tariffs this month. The market has struggled to price the wide range of potential outcomes of the announcements scheduled for early April. With tariffs expected to weigh on economic data through 2025, the market continues to expect three cuts from the Fed by the end of 2025, and two from the ECB. However, uncertainty remains elevated, not least on the inflation front. We continue to monitor how central banks navigate the challenge of managing inflation while supporting growth.

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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.

S&P UBS Leveraged Loan Index - The S&P UBS 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.

S&P UBS Western European Leveraged Loan Index - The S&P UBS 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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