

KEY TAKEAWAYS

- Global credit generated positive returns across the board in November
- US Treasury yields fell more at the longer end than at the front end; a trend typically observed when markets perceive that near term central bank rate cuts are already fully priced in
- The yield on the German 10-year fell about 30 basis points as the market moved to price more rate cuts from the European Central Bank in response to a weaker economic outlook
- Emerging Market (EM) debt gained on tightening spreads driven by positive sentiment surrounding the US presidential election. Government bond yields moved lower globally, creating a favorable environment for EM assets as investors sought higher yields in a declining rate environment

HIGH YIELD AND LEVERAGED LOAN TECHNICALS

US Retail Fund Flows

US\$1.8 billion in high yield inflows, US\$5.8 billion in leveraged loan retail inflows MTD (through 11.30)

HY New Issuance*		US	EUROPE	Main Market Driver	
YTD		US\$277.3 bn	US\$111.9 bn	Macro: US Election	
MTD		US\$10.4 bn	US\$7.2 bn	Micro: Inflows	
Loan New Issuance*		US		Default Rates (Dollar weighted)**	
YTD		US\$1138.4 bn		US	EUR
MTD		US\$114.0 bn		LTM	1.3% 1.1%

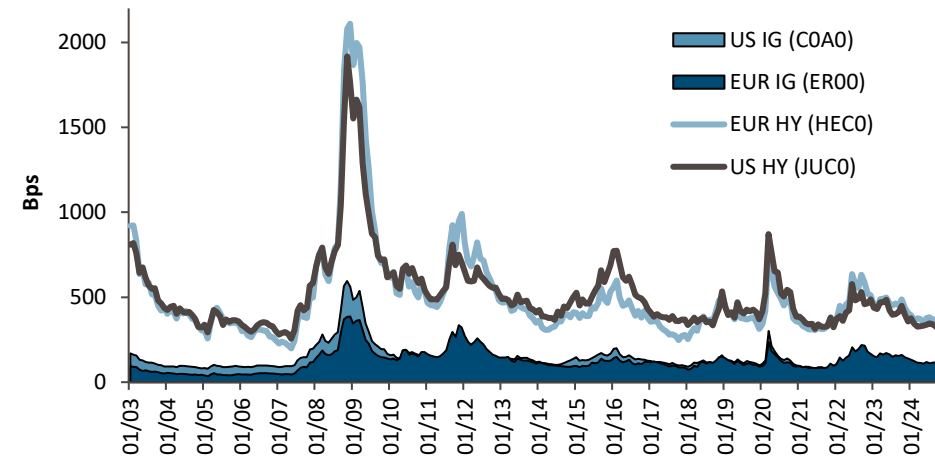
US New Issuance Names (500 mn and above) MTD

Jostens, Chemours, Molina Healthcare Inc, Icahn Enterprises, Global Auto, Ellucian Holdings Inc, Select Medical, Iliad Holdings, Methanex, TGS ASA

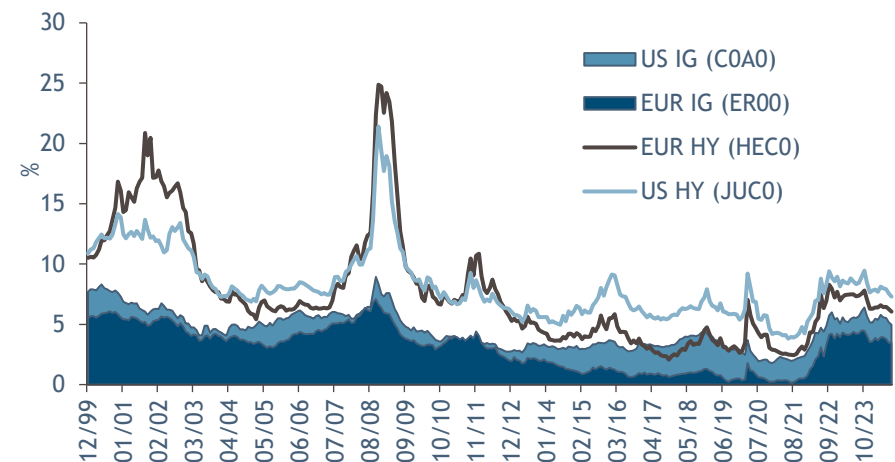
US New Issuance Pipeline (Announced)

Ryan Specialty

CORPORATE BOND SPREADS (STW) BY INDEX



CORPORATE BOND YIELDS (YTW) BY INDEX



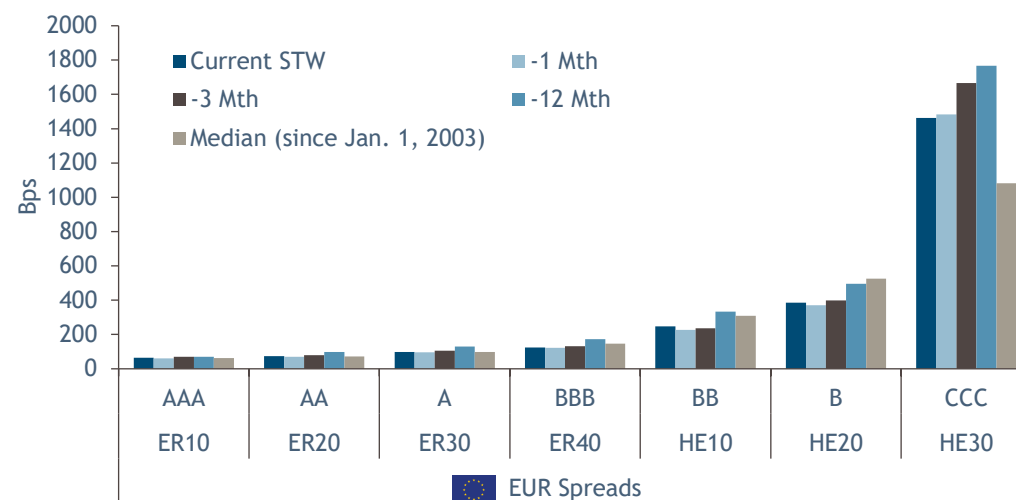
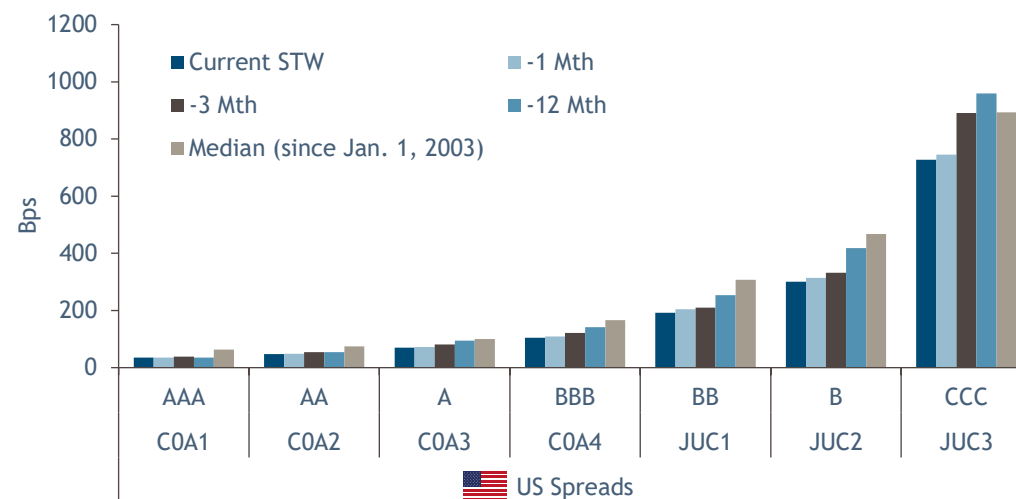
Note: Reference to the names of each company mentioned in this communication is merely for explaining the investment strategy and should not be construed as investment advice or investment recommendation of those companies.

Muzinich views and opinions are for illustrative purposes only and not to be construed as investment advice. Unless stated all data figures are sourced from Bloomberg as of November 30th, 2024. Full information on indices is provided on page 5. *JP Morgan for U.S. and Credit Suisse for Europe; European figures include non-Euro issues of European companies. **Moody's Default Report as of October 31st, 2024. Most recent data available used.

CORPORATE BOND SPREADS (STW) - NOVEMBER 30, 2024

	Index	Rating	Current STW	-1 Mth	-3 Mth	-12 Mth	Median (since Jan. 1, 2003)
US	COA0	IG	84	87	97	113	129
	JUC0	HY	297	310	341	397	446
	JUC4	BB/B	235	247	258	328	374
	COA1	AAA	35	35	38	35	63
	COA2	AA	47	49	54	54	74
	COA3	A	70	72	81	95	100
	COA4	BBB	105	109	121	142	166
	JUC1	BB	192	204	210	254	307
	JUC2	B	301	314	332	418	468
	JUC3	CCC	727	745	891	959	893
EM	EMCL	All	180	176	192	255	302
EUR	ER00	IG	109	106	116	148	116
	HEC0	HY	359	344	368	438	422
	ER10	AAA	64	61	71	70	63
	ER20	AA	74	71	80	99	72
	ER30	A	99	97	106	130	98
	ER40	BBB	124	122	132	173	146
	HE10	BB	247	227	237	333	309
	HE20	B	386	370	398	495	525
	HE30	CCC	1463	1484	1666	1766	1081

CORPORATE BOND SPREADS (STW)



MARKET PERFORMANCE % AND STATISTICS - NOVEMBER 30, 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	1.14	-0.57	0.57	8.52	3.31	7.14	297	12.52	10.52	3.70	4.09	4.52
JC4N	US HY BB-B	1.04	-0.72	0.31	7.24	3.35	6.53	236	10.87	9.34	3.23	3.48	4.02
HEC0	Euro HY	0.52	0.61	1.14	7.94	2.89	5.61	359	11.07	9.55	2.59	2.76	2.81
HEC5	Euro HY BB-B	0.58	0.59	1.17	7.59	2.90	4.91	291	10.75	9.39	2.58	2.61	2.49
Investment Grade													
COA0	US IG	1.20	-2.25	-1.08	4.62	6.74	5.09	84	8.85	6.38	-1.45	-1.16	0.91
C4NF	US BBB Corporates	1.35	-2.20	-0.88	4.99	6.96	5.27	102	9.44	7.06	-1.35	-0.87	1.16
ER00	Europe IG	1.65	-0.40	1.24	5.11	4.48	3.06	109	8.01	5.69	-0.82	-0.80	-0.15
EN40	Europe BBB	1.65	-0.33	1.32	5.53	4.54	3.16	118	8.59	4.21	2.79	2.08	1.66
Governments (7-10 Year Indices)													
G4O2	US Treasuries 7-10 Yrs	0.97	-3.33	-2.39	1.76	7.18	4.18	2	5.68	2.00	-3.66	-3.52	-1.05
G4L0	UK Gilts 7-10 Yrs	1.76	-2.81	-1.10	-1.26	7.24	4.18	-1	3.77	0.47	-5.09	-4.50	-2.98
G4D0	German Fed Govt 7-10 Yrs	2.54	-1.94	0.54	1.84	7.66	2.03	0	5.40	2.08	-4.49	-3.74	-2.72
Equities													
S&P	S&P 500 incl. Dividends	5.87	-0.92	4.90	28.06				33.86	23.43	11.42	15.33	15.75
DAX	DAX Index	2.88	-1.28	1.56	17.16	YTM (%)	Discount Margin		21.04	16.76	9.13	10.24	8.20
Loans								bps (3yr life)					
CS Leveraged Loan Index		0.01	0.85	0.85	7.52	8.59		480	9.25	10.45	6.57	6.45	5.77
CS Western European Leveraged Loan Index		0.91	0.78	1.69	7.98	7.58		452	9.26	10.39	5.66	5.45	4.86

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

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CREDIT MARKET UPDATE

US:

In the US, corporate credit gained after the highly anticipated presidential election. The softness that we saw in October reversed in November; spreads tightened, and rates moved lower. US high yield benefitted from risk-on sentiment with performance led by lower-rated paper. US Treasury yields fell more at the longer end than at the front end; a trend typically observed when markets perceive that near term central bank rate cuts are already fully priced in. While markets still expect the Federal Reserve to cut rates, expectations seem to have been significantly revised to a higher neutral policy rate factoring in the new administration's policy agenda. Ahead of the Federal Open Market Committee meeting in mid-December, investors will be closely watching payroll numbers and inflation data while trying to gauge future potential rate cuts.

Europe:

In Europe, credit markets delivered positive returns in November. Following the US elections and the likely focus of the incoming administration on pro-growth policies, fiscal expansion, and protective trade measures, US and European risk appetites diverged with spreads grinding notably tighter in the US—particularly in high yield—while moving wider in Europe. We also saw divergence in the rates market, with the yield on the German 10-year falling about 30 basis points as the market moved to price more rate cuts from the European Central Bank in response to a weaker economic outlook. In the US, Treasury yields fell by a much smaller margin. Political uncertainty in Europe weighed on investor confidence, with the German governing coalition collapsing in early November and investors anticipating a potential French no-confidence vote in December. Q3 earnings, largely completed in November, also showed notably weaker earnings in Europe (particularly in the underperforming automotive sector) than in the US. Credit markets continue to function well with open primary markets and inflows into the asset class. However, we note that investor caution (potentially exacerbated by the time of year) has been rising in Europe, with investors becoming more selective.

EM:

Emerging Market (EM) debt gained on tightening spreads driven by positive sentiment surrounding the US presidential election. Government bond yields moved lower globally, creating a favorable environment for EM assets as investors sought higher yields in a declining rate environment. Sovereign debt outperformed corporate credit this month, benefitting from a barbell structure including high-quality long-duration bonds and distressed short-term debt which thrived in the supportive market conditions. Within the corporate space, lower-rated bonds—particularly Ukrainian securities in Eastern Europe—led performance. On a sector level, the telecommunications sector in Latin America posted notable outperformance. Among EM investment grade debt, single-A rated bonds outperformed—primarily due to their longer duration which benefitted from the falling yield environment.

Outlook

As the world watches and waits for what will happen in the US when president-elect Trump assumes office in January, it is worth noting that the administration will inherit a significantly different US economy than when it was last in power. Unemployment is low, and sticky inflation poses a greater concern than deflation. Economic growth is losing momentum, and global trade activity remains relatively weak. With debt levels significantly higher and savings rates lower, there seems little room for major tax cuts. Additionally, valuations in both equity and credit markets look stretched, but we expect continued strong demand for risk assets to support those valuations. It is possible that executing policy will prove far more challenging than discussing it, potentially exposing the world to greater tail risks.

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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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