



High Yield Continues to Outperform

- High yield posted a strong week with excess return of 48 basis points (bps) and spread tightening of 9 bps. Month-to-date excess return stands at 1.75%, taking the year-to-date return to 1.6%. Following \$900 million of inflows two weeks ago, the early part of last week saw large inflows to the asset class totaling \$2.7 billion.
- Early strength was driven by gains in oil as well as generally positive earnings announcements. WTI sold off mildly on Monday after the weekend attacks on Syria, only to rally again to reach a multi-year high of \$68.47/b in front month futures on Wednesday. This was positive for high yield, which still has 14% of the index in the Energy space.
- Energy posted an excess return of just over 1% last week, mostly reflecting a rally in low-rated E&P and offshore drilling credits. The asset class has also benefited this month from better technicals as flows have reversed and new issue activity has been low, while coupon flows and redemptions have also brought more cash into the market.

High Yield OAS



Source: Bloomberg

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