



Investment Grade Credit Weakens

- Credit continued its recent weak performance as demand failed to increase despite the move up in interest rates. Although supply came in at a somewhat manageable level, longer term dealer inventories remain somewhat elevated and there isn't a real catalyst for buying as spreads are still not cheap.
- Earnings reports were again quite strong, so the fundamental story remains intact. With 53% of the S&P reporting so far, earnings growth is now at 23.2%, which would be the highest number since Q3 2010. 74% of companies have beat on revenues while guidance has been about split between positive and negative.
- Takeda announced a deal to buy Shire for \$64 billion, while Danaher was rumored to have approached GE about its \$20 billion life sciences unit only to be rebuffed. Comcast made a formal offer for Sky at \$31 billion but there was little market reaction as this was pretty much baked in and the ratings agencies have given their blessing.

Investment Grade Corporate OAS



Source: Bloomberg

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