



High Yield Claws Back Early Losses

- High yield spent most of the week clawing back Tuesday's losses triggered by the Italian political crisis. With the big move lower in interest rates, total return for the week was flat but excess return was -68 basis points (bps) as credit spreads widened 5 bps.
- Despite the modest flight to quality, the selling was manageable even as Trump doubled down on trade protectionism. Flows were negative with an outflow of \$0.6 billion, but this is a relatively modest outflow considering the magnitude of Tuesday's risk-off move, the largest one-day move in the 10-year Treasury yield since Brexit.
- For the month of May, high yield produced an excess return of -71 bps as spreads widened by 17 bps. Excess return for the quarter is +60 bps and +46 bps for the year while total returns are +65 bps and -27 bps, respectively. At 363 bps, spreads are back to exactly where they started the year, 40 bps wider than the year-to-date tightests and 19 bps inside the widest level.

High Yield Corporate Spreads



Source: Bloomberg

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