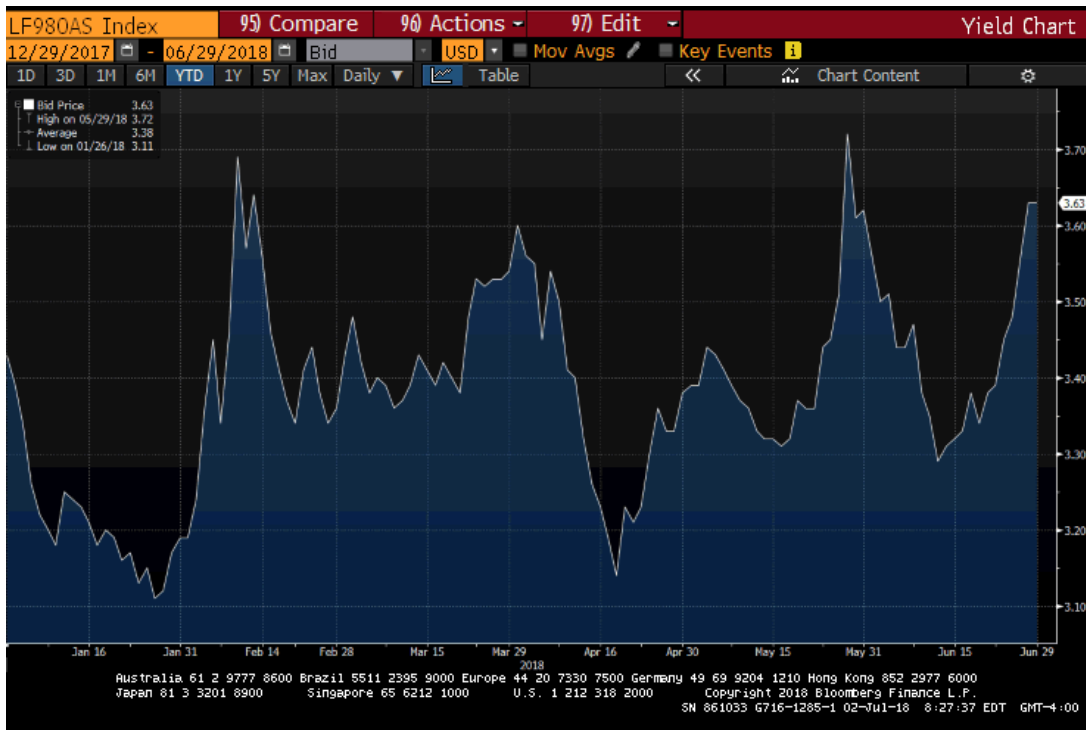




High Yield Tone Turns Negative

- High Yield finally seemed to crack last week, turning in negative excess return of 85 bps as spreads widened by 16 bps. The reasons for the sudden change in tone are not clear, but further declines in the stock market amid continuing global trade concerns and a resumption of issuance in the primary market were probably behind it.
- It could also be that everyone got the memo noting that HY's valuation compared to investment grade bonds is the tightest it's been in ten years. Either way, the tone took a notable turn for the worse and bonds were down about ¼ point three days in a row as \$1.36Bn in flows left the asset class this week.
- Thursday was actually the busiest day for new deals so far this year with seven deals pricing for \$4.7Bn. Deals were mostly for lower-rated credits including mortgage servicer NationStar (B2/B+), online gaming company Stars Group (Caa1/B-/B-) and P&C insurance company AmWins (Caa1).

High Yield Spreads



Source: Bloomberg

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