



## Turkey Contagion Fears Push Spreads Wider

- Investment grade corporate spreads widened last week, particularly banks, which moved 10-15 basis points (bps) wider on concerns about Turkey's deepening economic crisis. U.S. banks should have limited exposure to Turkey; however, the ECB was said to be concerned about BBVA, Unicredit and BNP. Nevertheless, fear of contagion is back and moving things wider.
- Despite escalating trade wars, the market's perception of risk seemed too low with the VIX touching a 10 handle mid-week. Friday was a different story, however, as equities sold off by 75 basis points, credit spreads widened and the VIX blew out more than 20% to 13.16.
- The technical picture has been a primary driver of corporate performance this year, so we will see if increasing risk in emerging markets impacts new issuance.

## Corporate Bond Spreads



Source: Bloomberg

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