



Corporate Spreads Tighten Despite New Tariffs

- Trade war? What trade war? More like a trade pillow fight if you look at the reactions of most financial markets this week, corporate credit included. Despite the imposition of a 10% tariff on \$200 billion worth of Chinese goods with the threat of an increase to 25% at year-end, stocks rallied, spreads ripped and rates rose.
- Perhaps the market expected a more aggressive U.S. proposal on the latest round of tariffs or investors see little evidence of the new levies negatively impacting the economy, but for corporate bonds, the technicals appear to be driving the market tighter.
- The recent move higher in yields is drawing in demand we haven't seen for a while. The market absorbed \$125 billion in supply in just three weeks with credit spreads remaining firm.

Corporate Spreads



Source: Bloomberg

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