



Modest Weakness in Corporate Bonds

- Investment grade credit continued to outperform equities and high yield amidst the sharp selloff. Rising interest rates seem to be supporting higher quality spreads as foreign investors and other "real money" accounts are drawn in by attractive all-in yields. The yield on the Barclays Corporate Index breached 4.2% last week, the highest level since 2011 and more than 100 basis points (bps) higher than at this time last year.
- Investors largely shrugged off Wednesday's decline in equities with spreads only moving a few bps wider until Thursday afternoon's selloff pushed spreads wider. We saw the most weakness in autos, but the liquid telecom names also underperformed with spreads on Charter and AT&T 5-10bps wider.
- The short week and the spike in the VIX served to limit supply last week as at least one planned deal, ConAgra's \$7 billion M&A funding, was postponed until this week. JPMorgan was the lone U.S. bank issuer, hitting the market with an \$800 million floater on Friday.



Source: Bloomberg

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