



High Yield Posts First Weekly Loss of Year

- High yield posted its first weekly loss of the year with an excess return of -57 bps as spreads widened by 18 bps. Weakness was driven by declines in equity markets, signs of friction in US-China trade negotiations, very weak Chinese export/import data and a weak economic update from the ECB, all of which reignited growth concerns.
- Given the extent of the rally so far this year, it seems like investors were moving quickly to take some gains off the table. CCCs had their worst week since December while BBs held in better. The asset class saw an outflow of \$0.9Bn last week while new issue activity moderated to \$2.6Bn.
- New issues were firmly weighted in favor of lower-rated credits with Scientific Games (Caa1/B-) and Digicel (B3/B Fitch) pricing \$1.1Bn and \$600MM respectively. The Scientific Games deal struggled initially and was re-priced wider but ended up being oversubscribed about 2x. Digicel, on the other hand, tightened pricing to 8.75%, well inside initial whisper of 10% and upsized the offering after receiving orders of more than \$1.5Bn.

High Yield Spreads



Source: Bloomberg

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