

# Capital Markets Strategy

Essential insights for the C-Suite



## Monthly Market Recap

May 2024

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# Global Corporate & Investment Bank Capital Markets Strategy Team



**Tom Joyce**

Managing Director  
Capital Markets Strategist  
New York, NY

Tom.Joyce@mufgsecurities.com  
(212) 405-7472



**Hailey Orr**

Managing Director  
Capital Markets Strategist  
New York, NY

Hailey.Orr@mufgsecurities.com  
(212) 405-7429



**Stephanie Kendal**

Vice President  
Capital Markets Strategist  
New York, NY

Stephanie.Kendal@mufgsecurities.com  
(212) 405-7443



**Angela Sun**

Analyst  
Capital Markets Strategist  
New York, NY

Angela.Sun@mufgsecurities.com  
(212) 405-6952

# AUTHORS

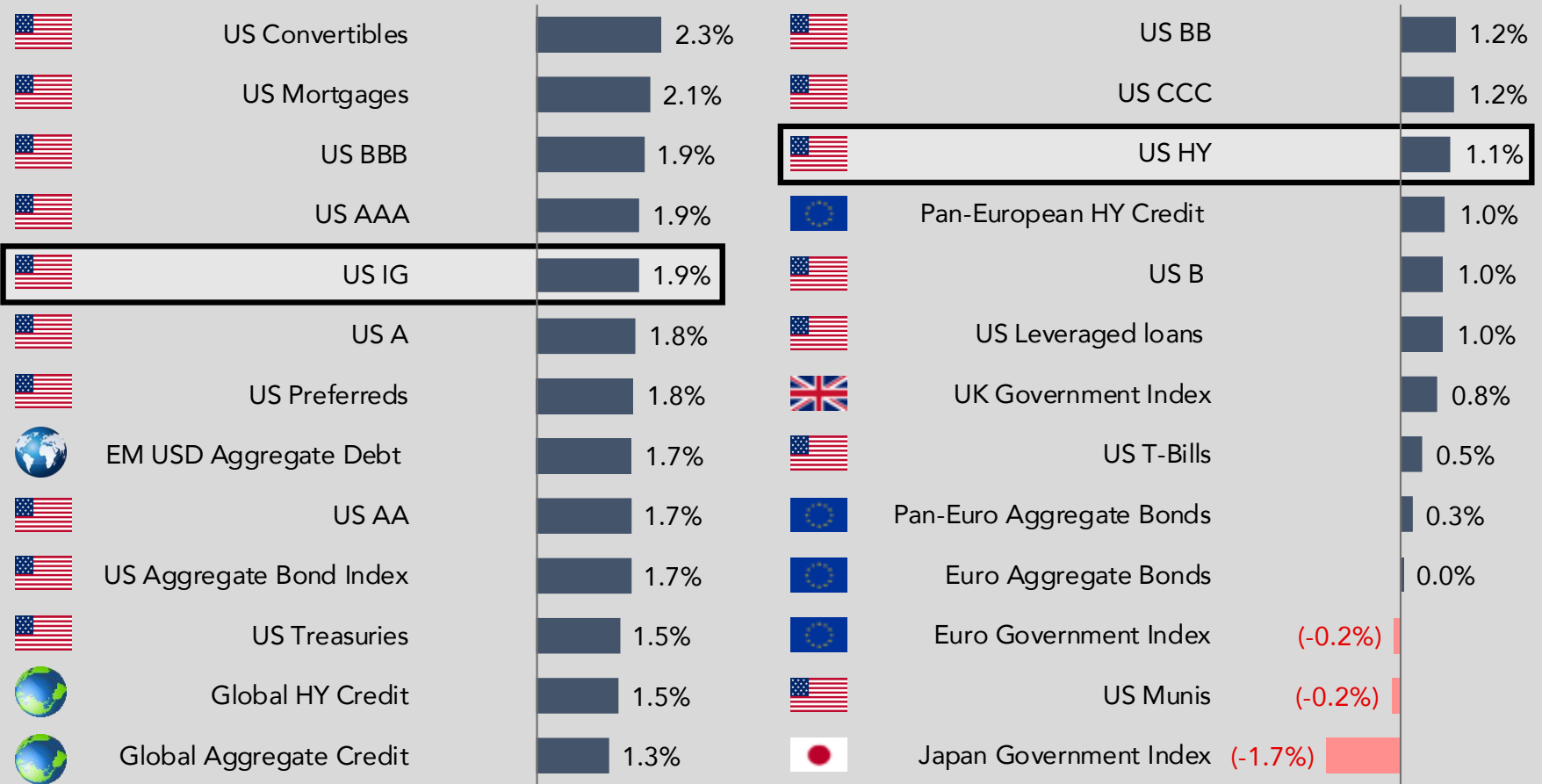


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# Stronger Credit Performance in May

Global credit markets largely recovered from their dismal April performance. Higher rated USD credit, in particular, outperformed as investors took a more cautious risk tone.

## May credit market total returns



Source: (1) Bloomberg. Data as of May 31, 2024.

# UST Yields Tightened in May



At the start of May, 30-year US Treasuries were on track for one of the worst annual return years since 1919. Over the course of the month, however, yields moved sharply lower across most of the curve. Yields rose again in the back half of the month, but still remain well below their recent April highs.

## Change in UST rates in May 2024

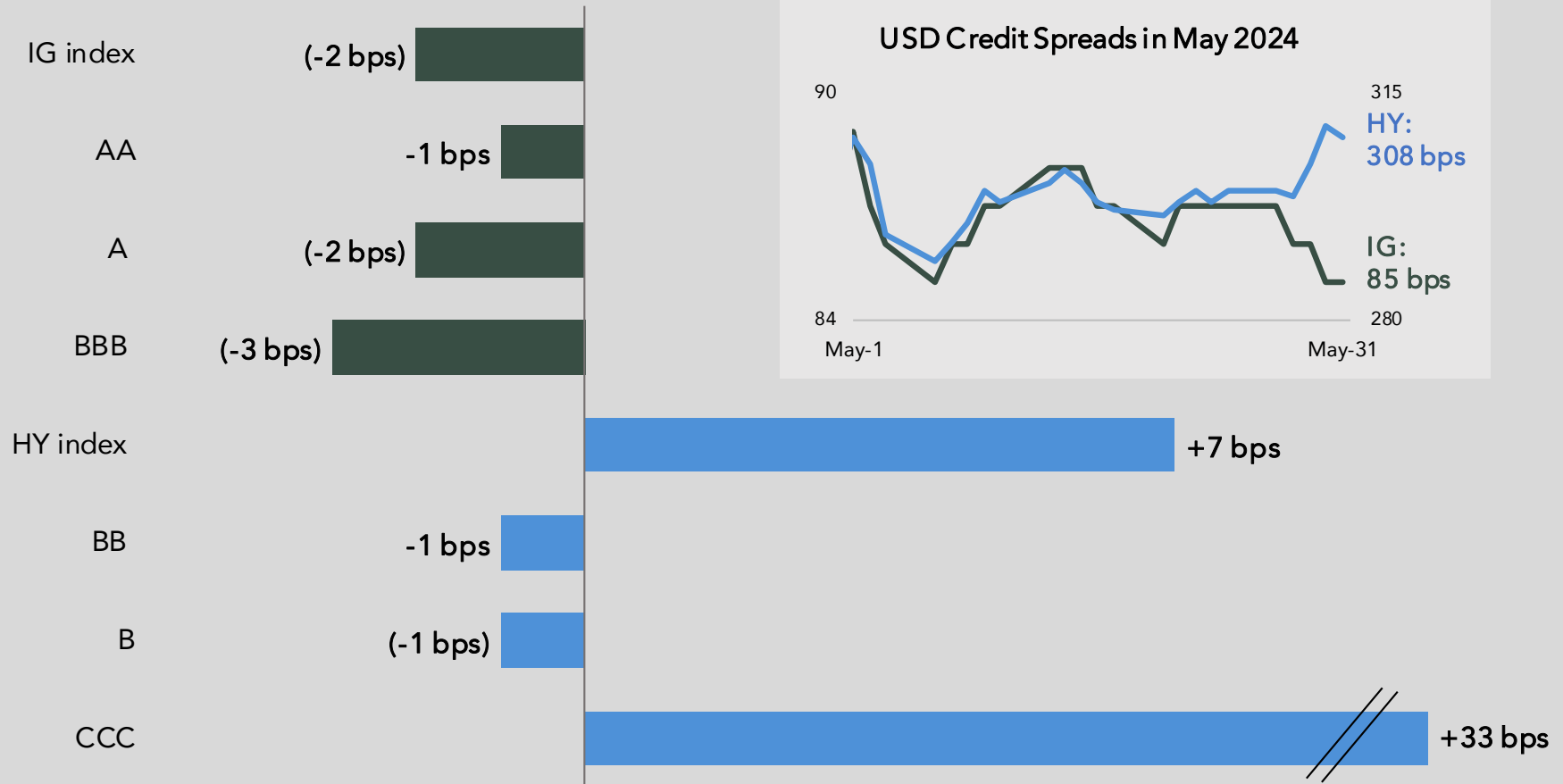


Source: (1) Bloomberg. Data as of May 31, 2024.

# Higher Rated Credit Spreads Outperformed in May

Spreads continued their "risk-off" tone from April into May with CCC spreads gapping wider and pulling the broader HY index OAS higher. IG spreads, conversely, tightened across the rating spectrum and remain near cyclical lows.

## USD credit spreads in May 2024

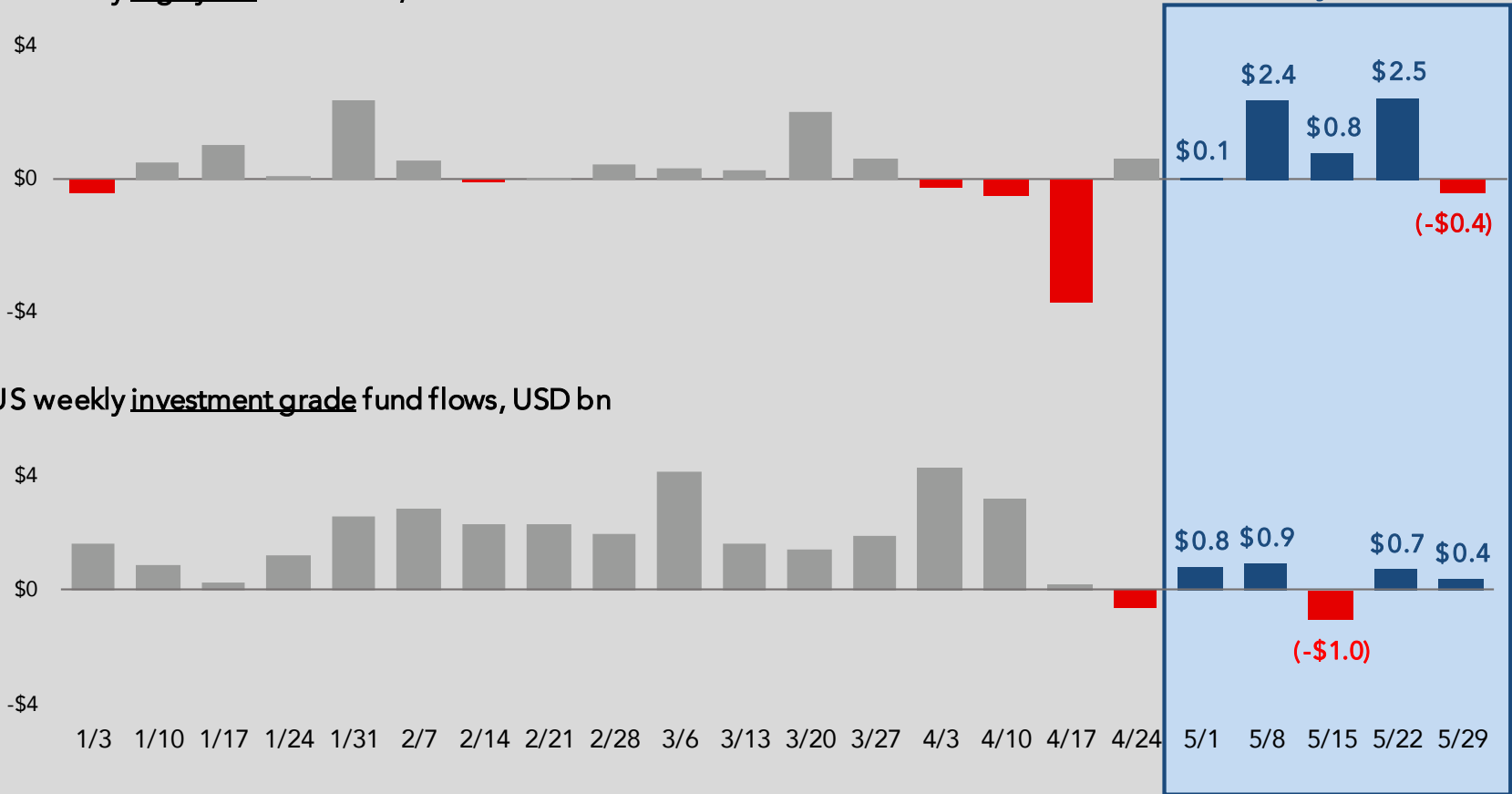


Source: (1-2) Bloomberg. Data as of May 31, 2024.

# USD Bond Fund Flows Rebound in May

Fund flows into the bond market continue to be a strong technical tailwind for US dollar credit markets. While investors had favored high quality credit funds for most of the year, flows into high yield funds surged in the month of May.

US weekly high yield fund flows, USD bn

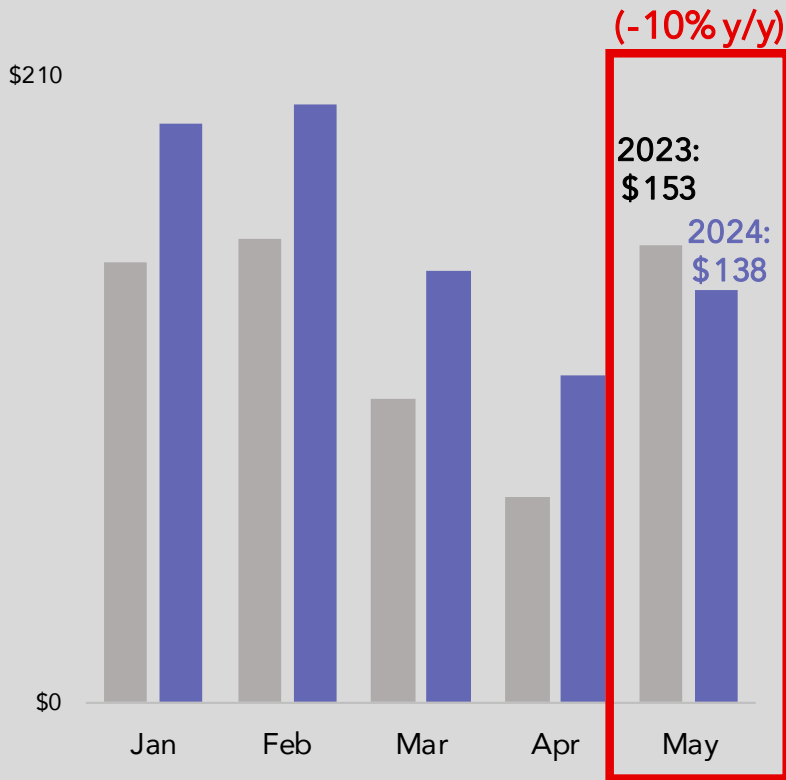


Source: (1) IFR. Data as of May 31, 2024.

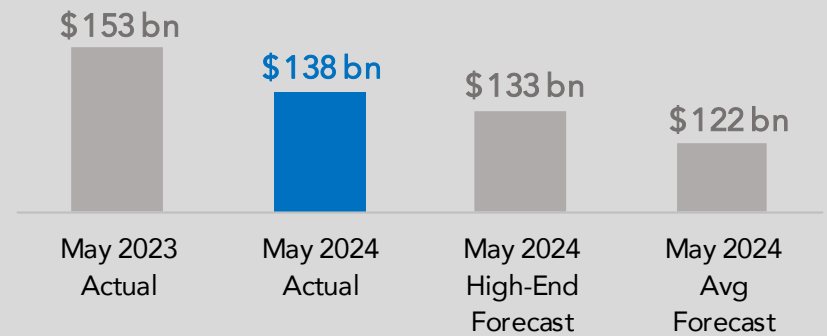
# IG Issuance Exceeds May Expectations

For the first time this year, monthly issuance declined on a year-over-year basis. However, May's \$138 bn of IG primary activity still exceeded the average and high estimates for the month of \$122 bn and \$133 bn, respectively. In fact, in 2024, actual issuance has outpaced expected issuance in every month.

2023 vs. 2024 USD IG issuance, bn



May USD IG issuance forecasts



2024 USD IG issuance forecasts

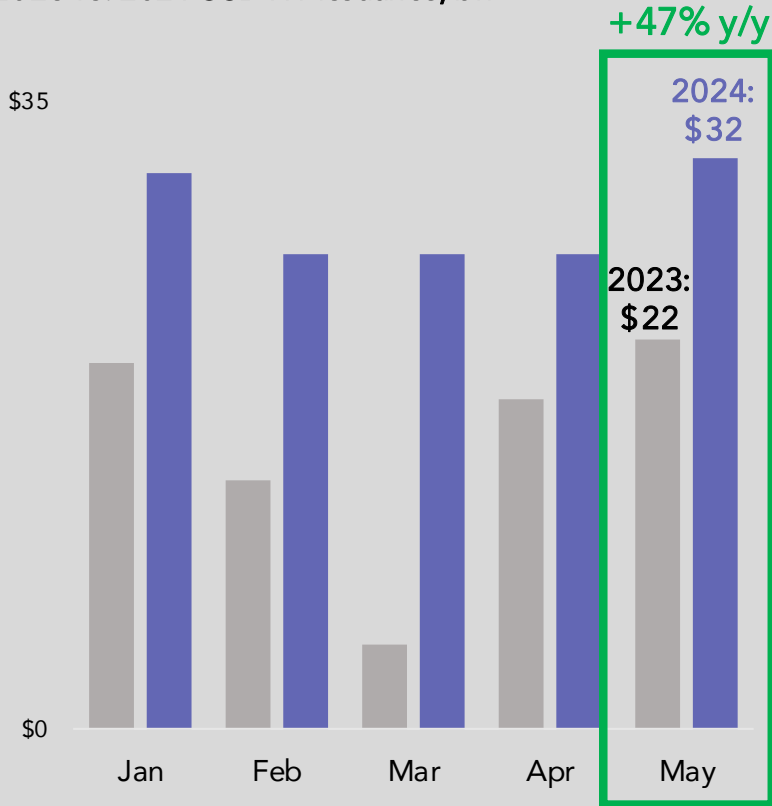


Source: (1-3) CFR. CFR forecast is consensus average. CreditSights. CS forecast is gross supply. Data as of May 31, 2024.

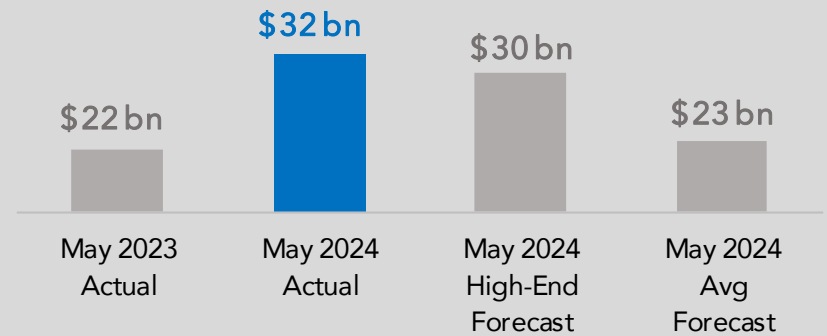
# Strongest HY Issuance Month of 2024

May is typically the second most active issuance month in the high yield primary market as companies emerge from earnings blackout windows. May 2024 was no exception as monthly issuance of \$32 bn outpaced 2023 by 47% and made the month the most active so far this year.

2023 vs. 2024 USD HY issuance, bn



May USD HY issuance forecasts



2024 USD HY issuance forecasts



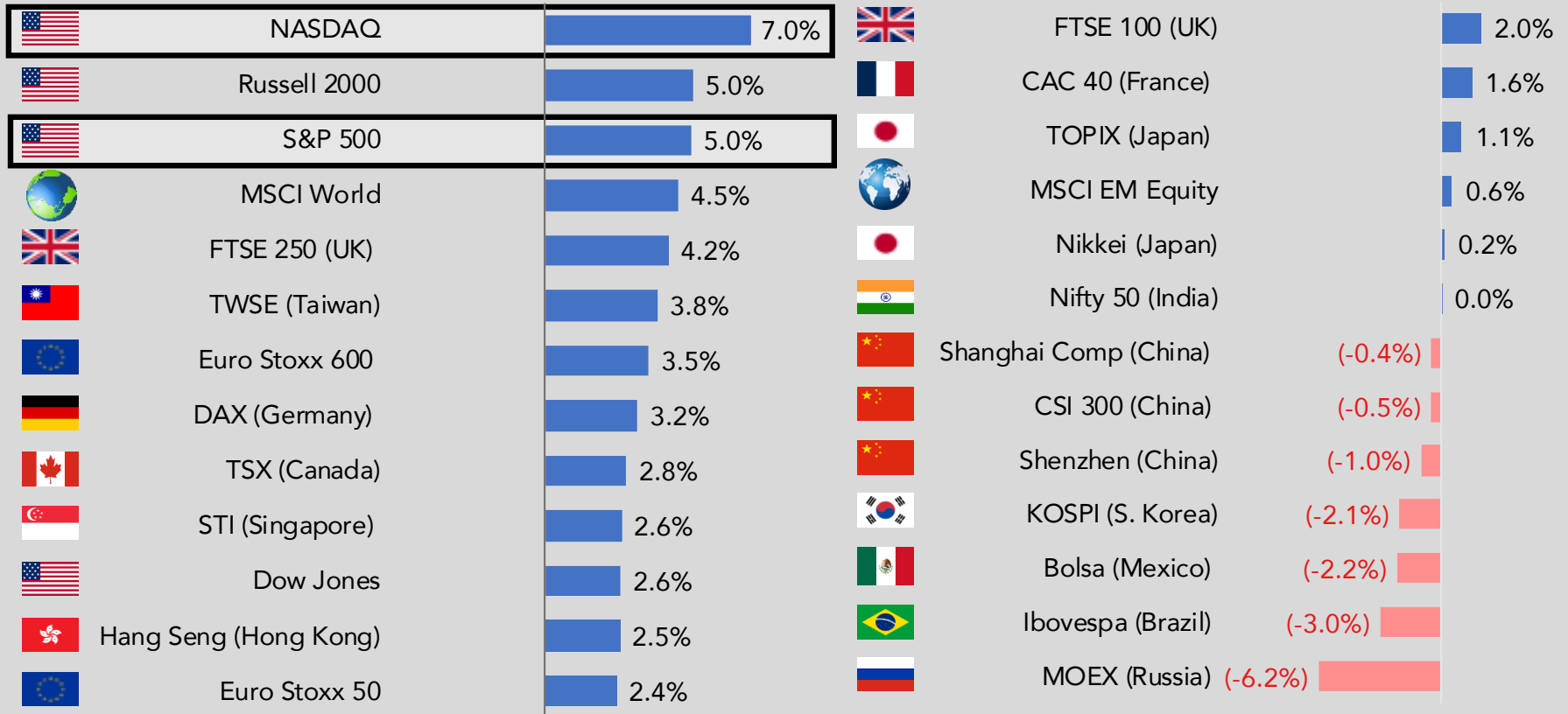
Source: (1-3) CFR. CFR forecast is consensus average. May high-end forecast uses wide end of ranges. CreditSights. CS forecast is gross supply. Data as of May 31, 2024.



# Global Equity Markets Hit New Highs in May

On May 21, the S&P 500 closed at a record high for the 24<sup>th</sup> time in 2024. The US, however, was not the only market with strong performance in the month. In May, the MSCI index tracking developed and emerging market equities hit an all time high, as did 14 of the world's largest stock markets.

## May regional equity market performance

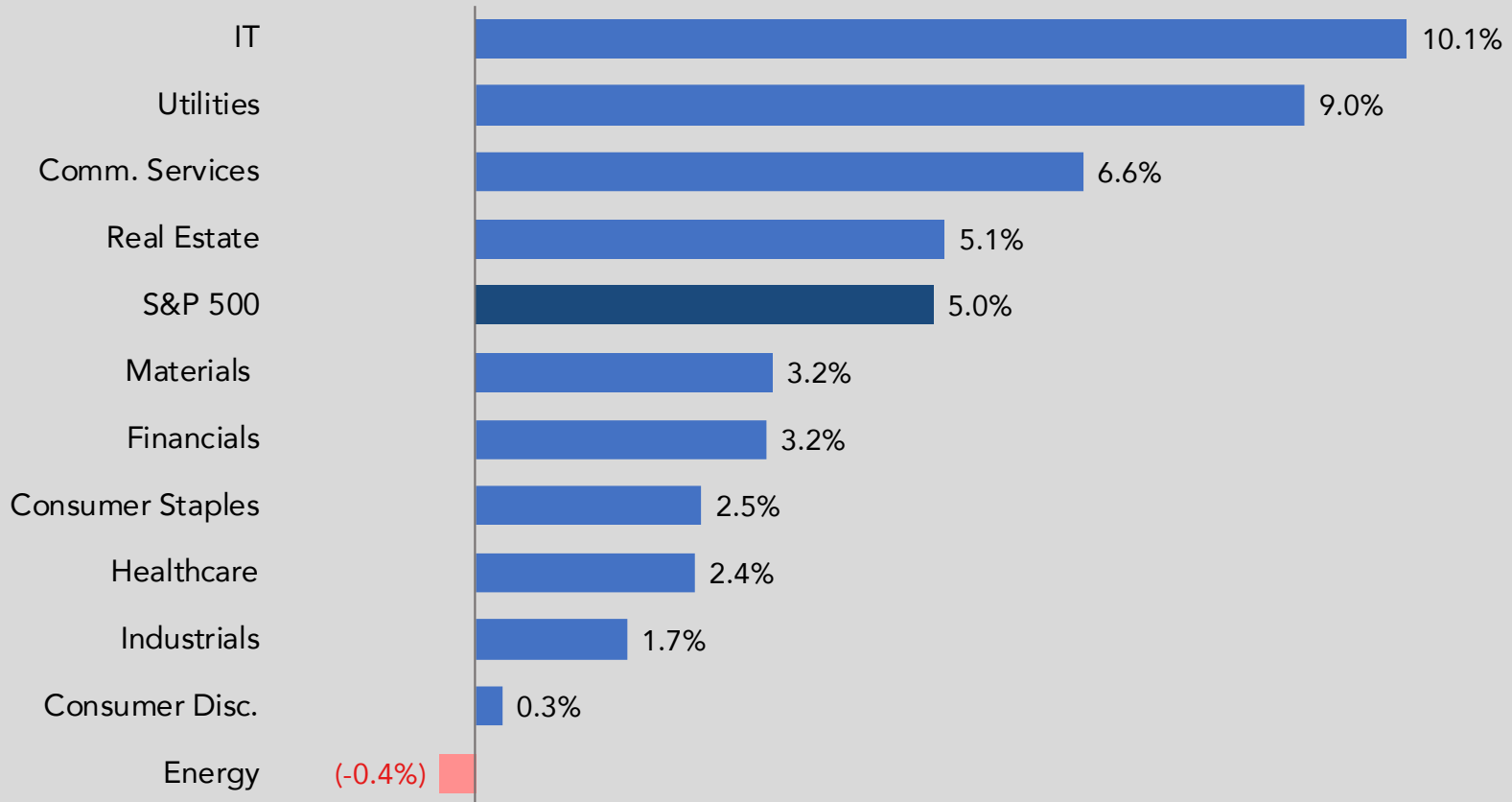


Source: (1) Bloomberg. Data as of May 31, 2024.

# Broad Based S&P 500 Industry Strength in May

While weaker oil prices weighed on energy stocks in May, every other industry group strengthened in the month. IT, which was the second weakest performing sector in April, staged the strongest recovery in the month.

May S&P 500 industry sector performance

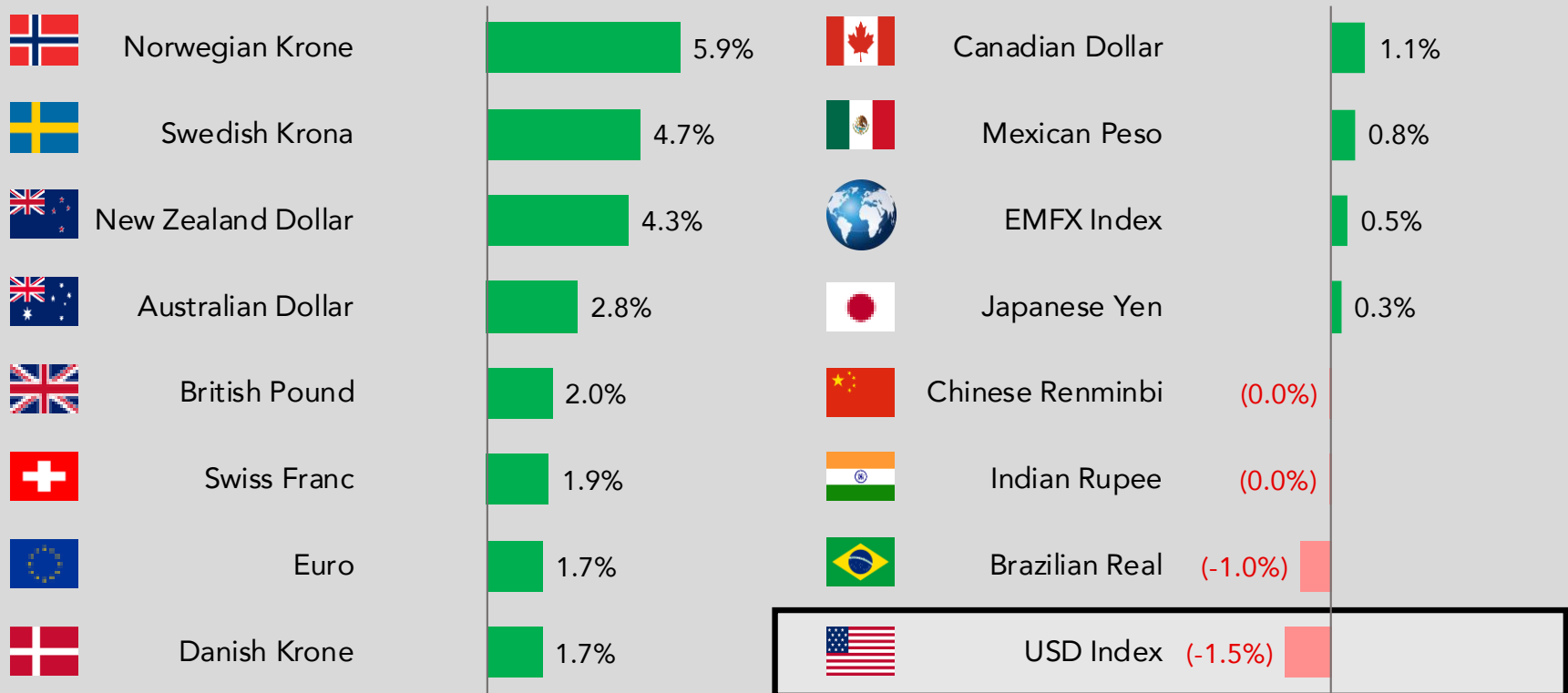


Source: (1) Bloomberg. Data as of May 31, 2024.

# US Dollar Pares YTD Gains in May

The US Dollar declined (-1.5%) in May, its first decline in 2024 and the weakest performing G10 currency on the month. Key drivers of the weaker performance were: i) downward US GDP revisions; ii) inflation falling in line with expectations; and iii) mean reversion after outperformance in much of 2024.

## May currencies performance vs. USD

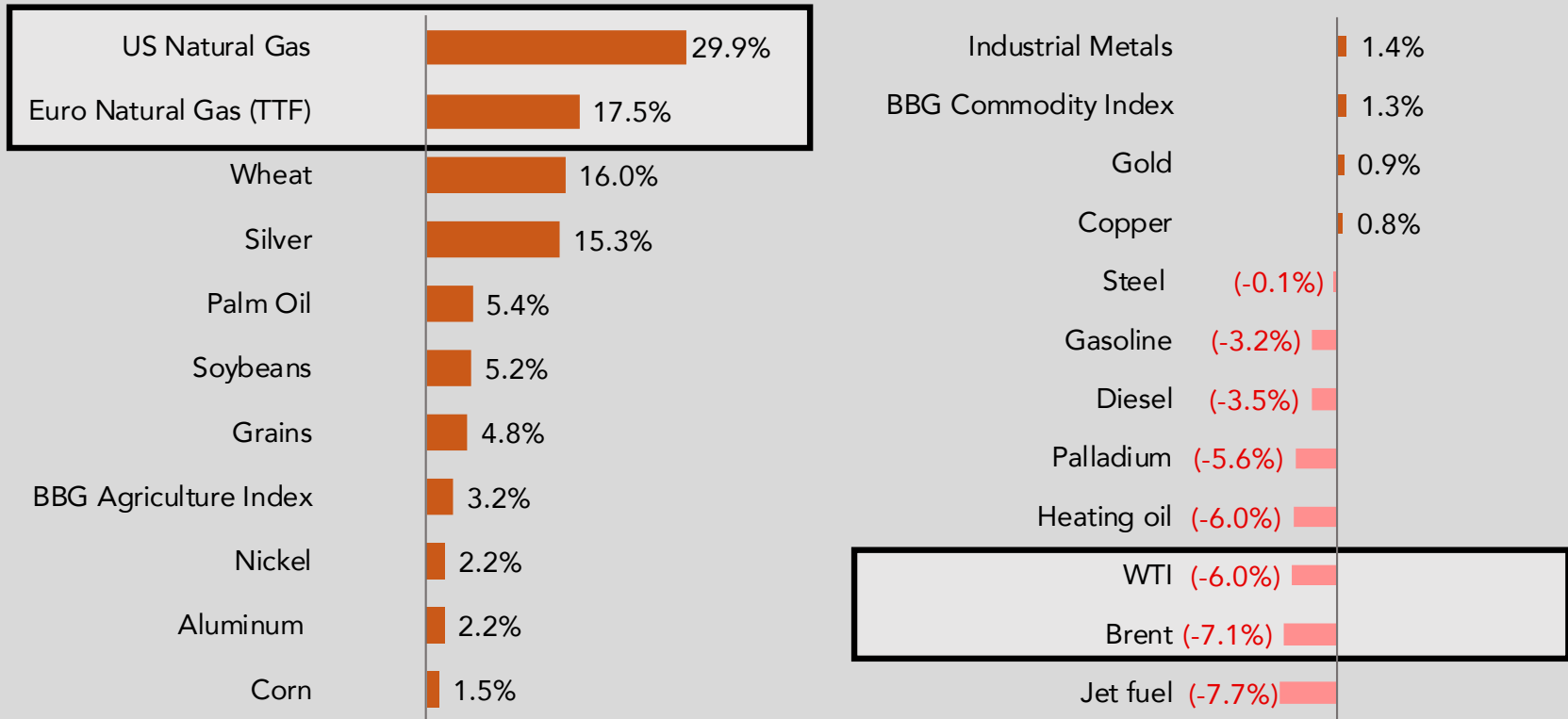


Source: (1) Bloomberg. Data as of May 31, 2024.

# Natural Gas Prices Move Sharply Higher in May

Commodities remain the best performing asset class year-to-date, up 9%, driven by a pickup in demand as the global industrial cycle turns positive alongside tight micro fundamentals, low inventories and extended OPEC+ production cuts. In May, US and European natural gas prices increased 30% and 18%, respectively, driven by a combination of supply disruptions, increased seasonal demand and higher exports while oil prices continued to decline.

## May commodities performance



Source: (1) Bloomberg. Data as of May 31, 2024. MUFG Commodities Weekly (Ehsan Khoman). All values are price change. Commodities Index and Agriculture Index are total return.

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