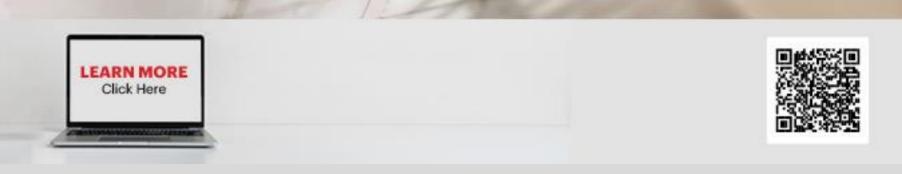
Essential inCights for the C-Suite

Chart of the Day



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Looking back at historic US recession thresholds for numerous credit market metrics, today's USD HY market is <u>not</u> pricing elevated US recession risk.

HY credit metrics

Metric	Historic recession threshold	Recent level	Recession signal
HY spreads	> 800 bps	320 bps	Vot yet
CCC spreads	Sharp widening	Tightening (27 bps tighter YTD)	Vot yet
HY funding costs (yield)	Sharply higher	Costs declining (yields 29 bps tighter YTD)	Vot yet
HY total returns	Negative on trailing 12 month basis	Trending positive in 2024 (+6% YTD)	Vot yet
HY net leverage	Sharp spike	3.6x (below historical median)	Vot yet
Default rates	> 6%	4.6% (steady decline since Apr 2024)	Vot yet

Source: (1) Bloomberg. CreditSights. HY leverage metrics are as of Q1 2024. S&P Capital IQ Default, Transition and Recovery August 2024 report. Default rate is June 2024 US speculative grade corporate default rate. Data as of September 4, 2024.

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"Macro stability isn't everything, but without it, you have nothing."