Chart of the Day

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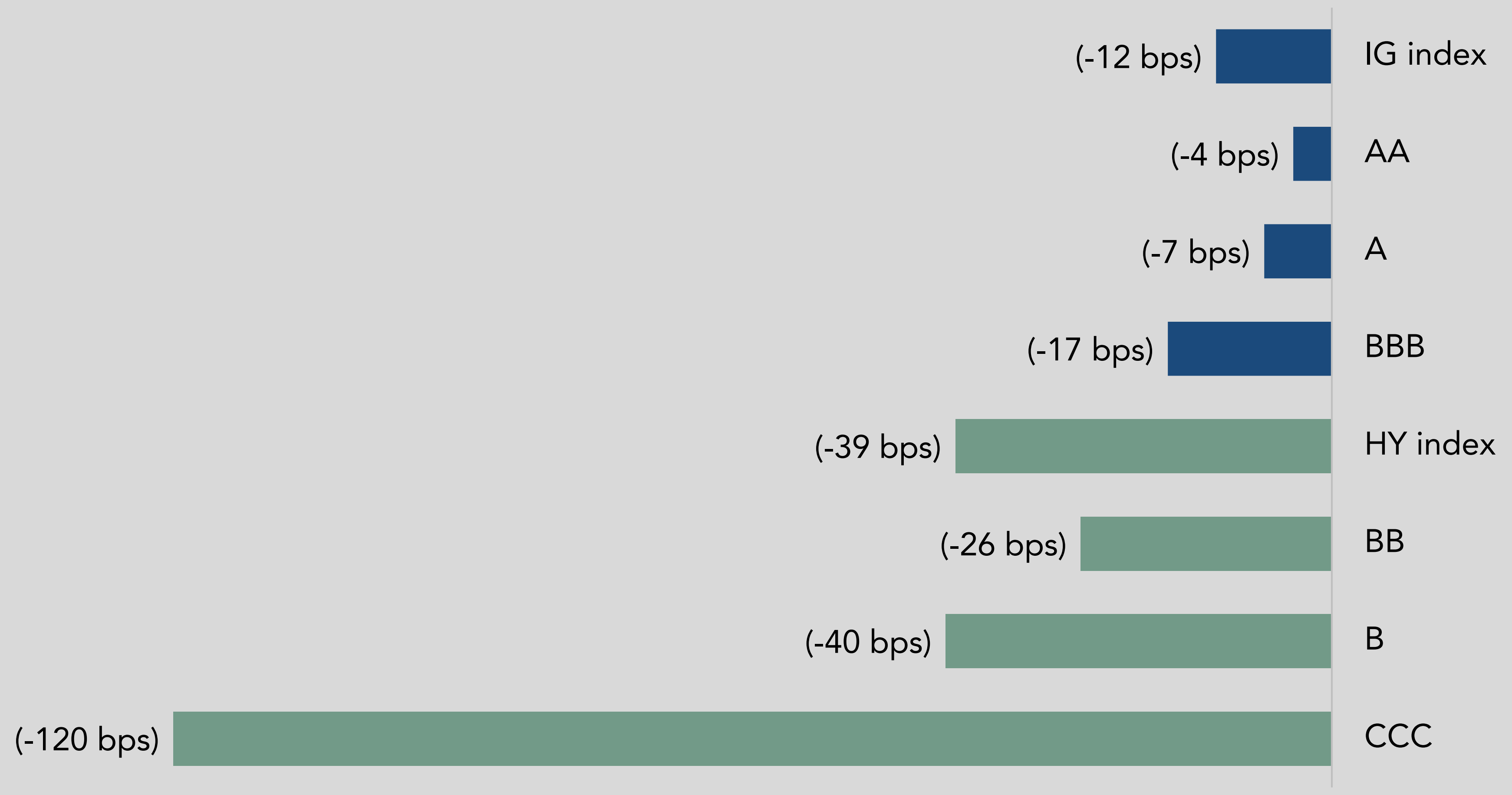
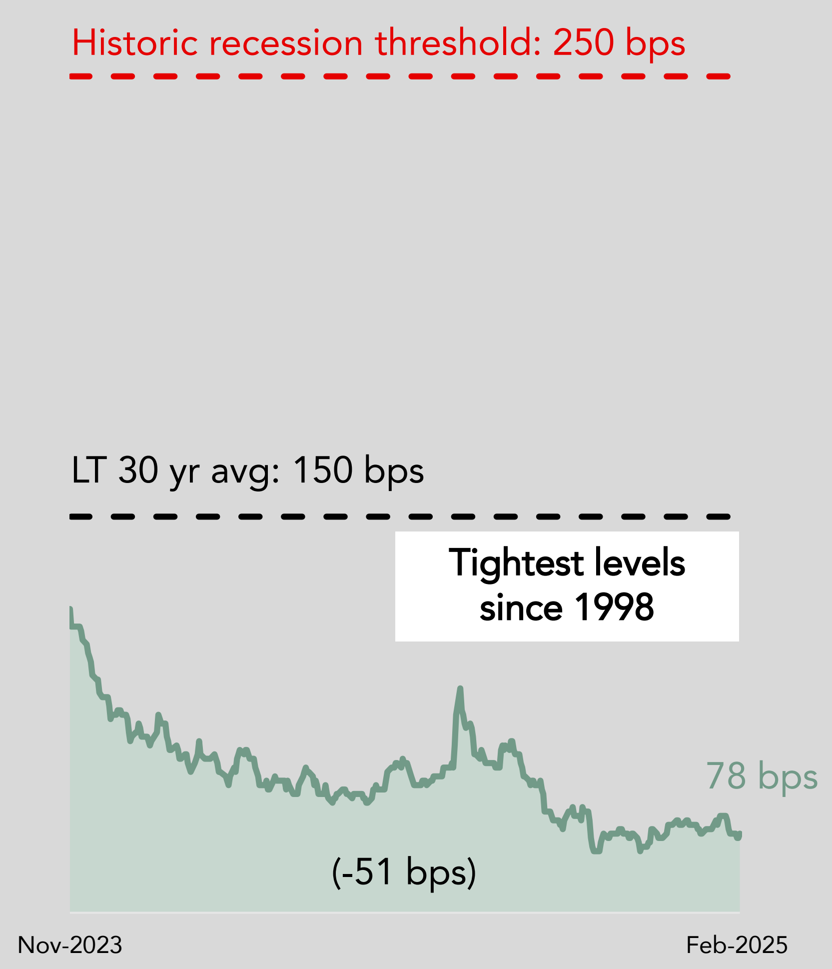
We expect USD corporate credit to be much more resilient to elevated geopolitical risk and trade wars than equities, global FX and commodities. With rates elevated, the technical demand for credit remains strong at a time when corporate fundamentals have improved (declining default rates since April, steady coverage ratios, declining downgrade ratios, higher earnings growth). Since October 1st, as markets were repricing for Fed policy easing and a higher probability of a Trump election victory, corporate credit spreads have continued to tighten from levels already well below LT averages. Even with policy uncertainty high, that tightening has continued in Jan-Feb 2025.

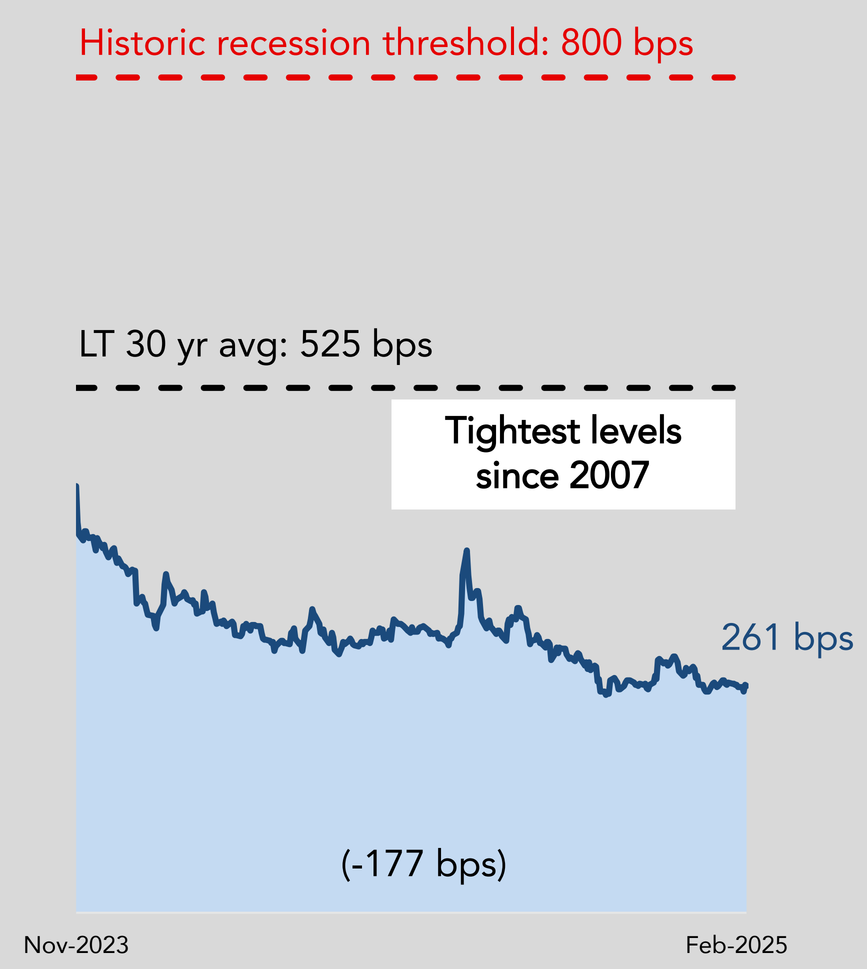
USD credit spread performance (since October 1)



USD IG OAS



USD HY OAS



Source: (1-3) Bloomberg. Data as of February 21, 2025. 30 year average is 1994-2023.

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