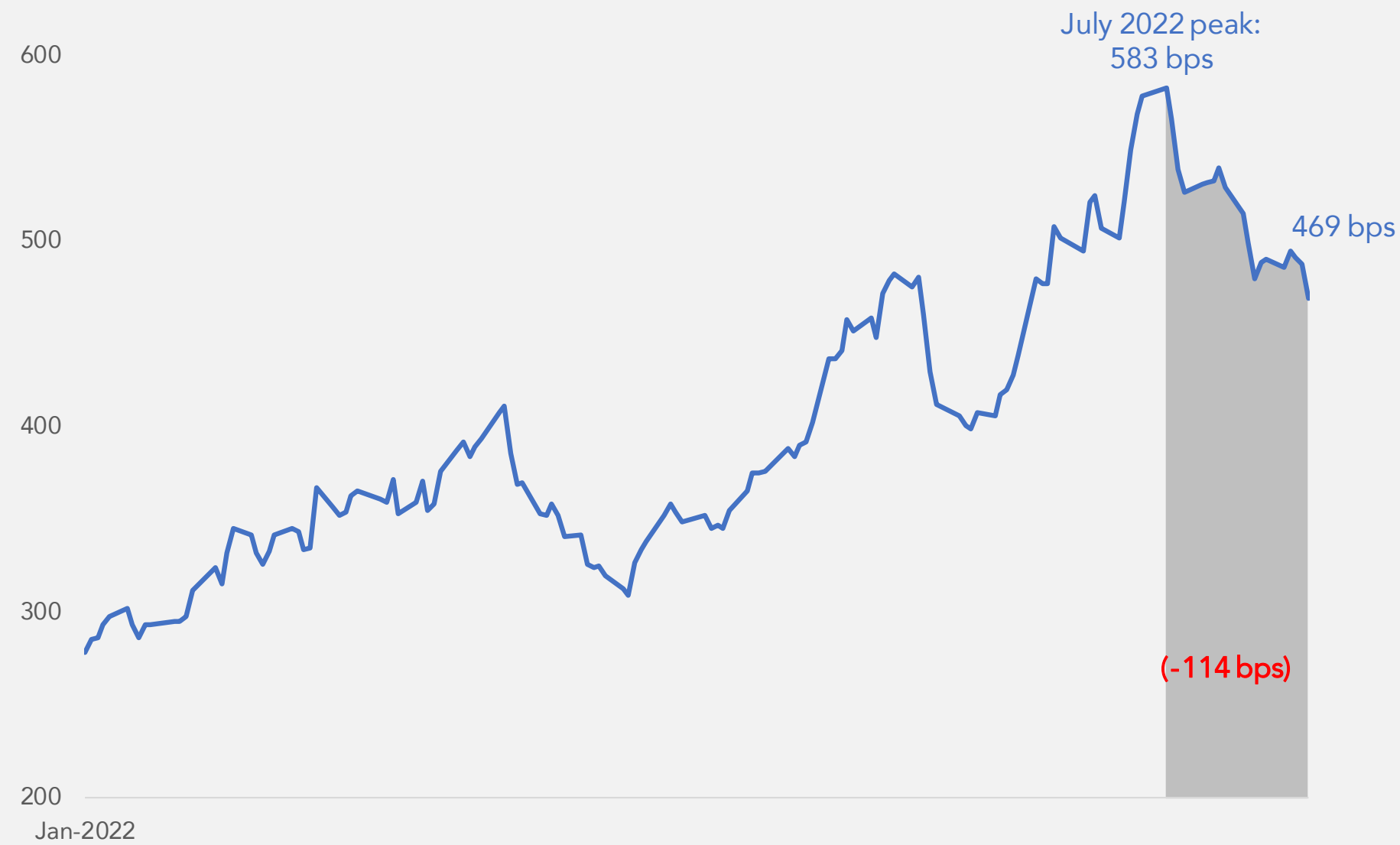


Chart of the Day

In the first week of July, high yield spreads reached a 2022 high of 583 bps before tightening 114 bps in the subsequent three weeks. The rapid tightening brought yields in the HY index below 8% and marked the highest monthly gain since October 2011. Further, in the last week of July, high yield retail funds had the highest weekly inflow in two years (\$4.8 bn), though year-to-date outflows still total \$30.4 billion. While volatility is expected in the weeks ahead, several large investment firms have indicated high yield and leveraged loan prices look cheap with balance sheets relatively strong and defaults unlikely to surge despite elevated recession risks.

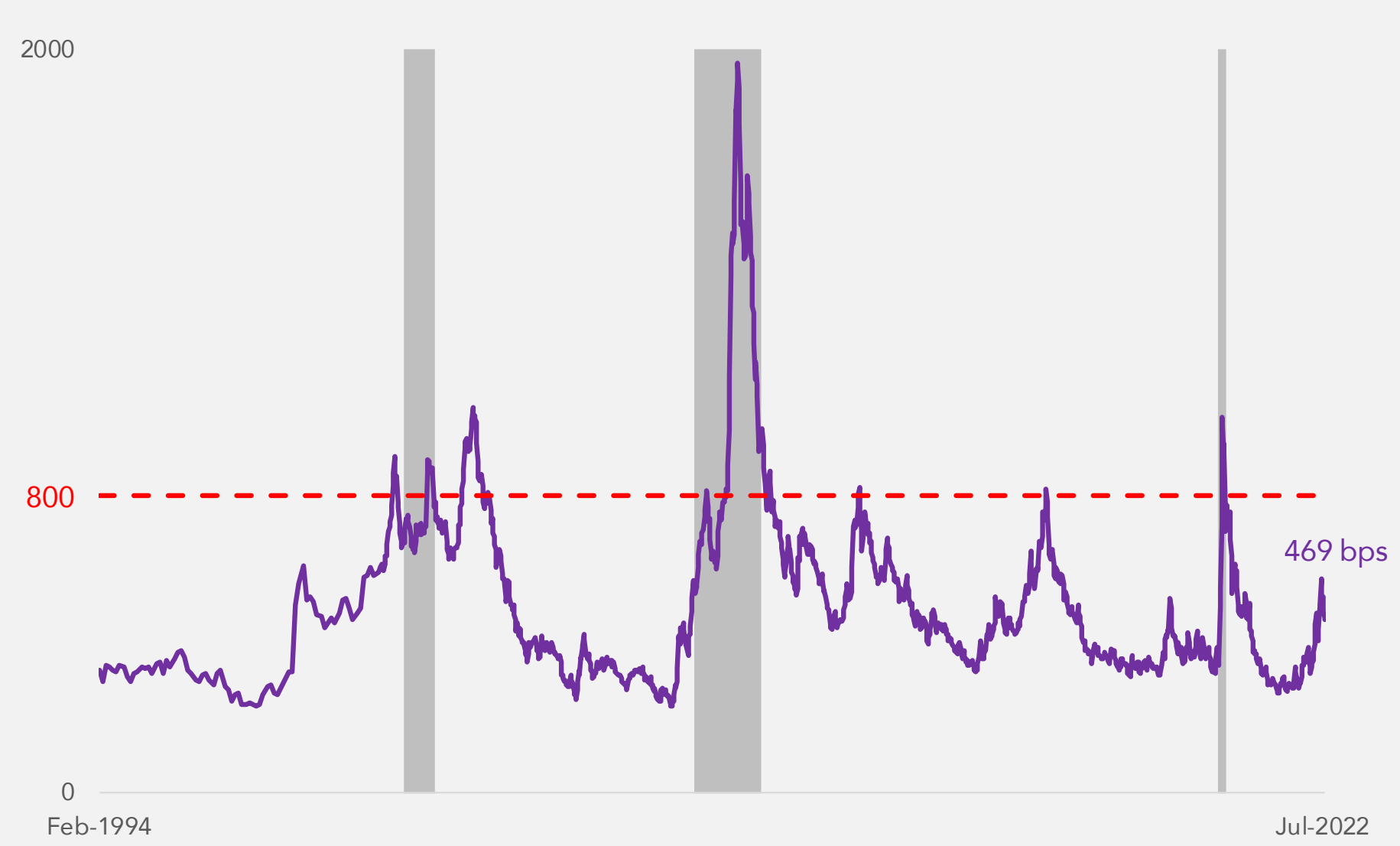
USD HY spreads tightened 114 bps in the last three weeks of July

USD HY OAS



HY spreads have historically been a “leading” indicator of US recession risk, typically widening sharply beginning one year ahead of recession. HY spreads today, well under 500 bps, are still well below historic US recession thresholds of 800 bps.

USD HY OAS



In the last week of July, HY funds had \$4.8 bn of inflows, the highest weekly inflow since June 2020 (though YTD outflows remain high at \$30 bn)

HY fund flows, USD bn



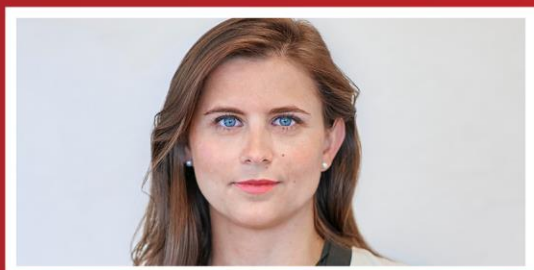
Source: (1-3) Bloomberg. Data as of August 2, 2022. HY OAS is Bloomberg US Corporate High Yield Average OAS. Fund flows are Lipper.

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