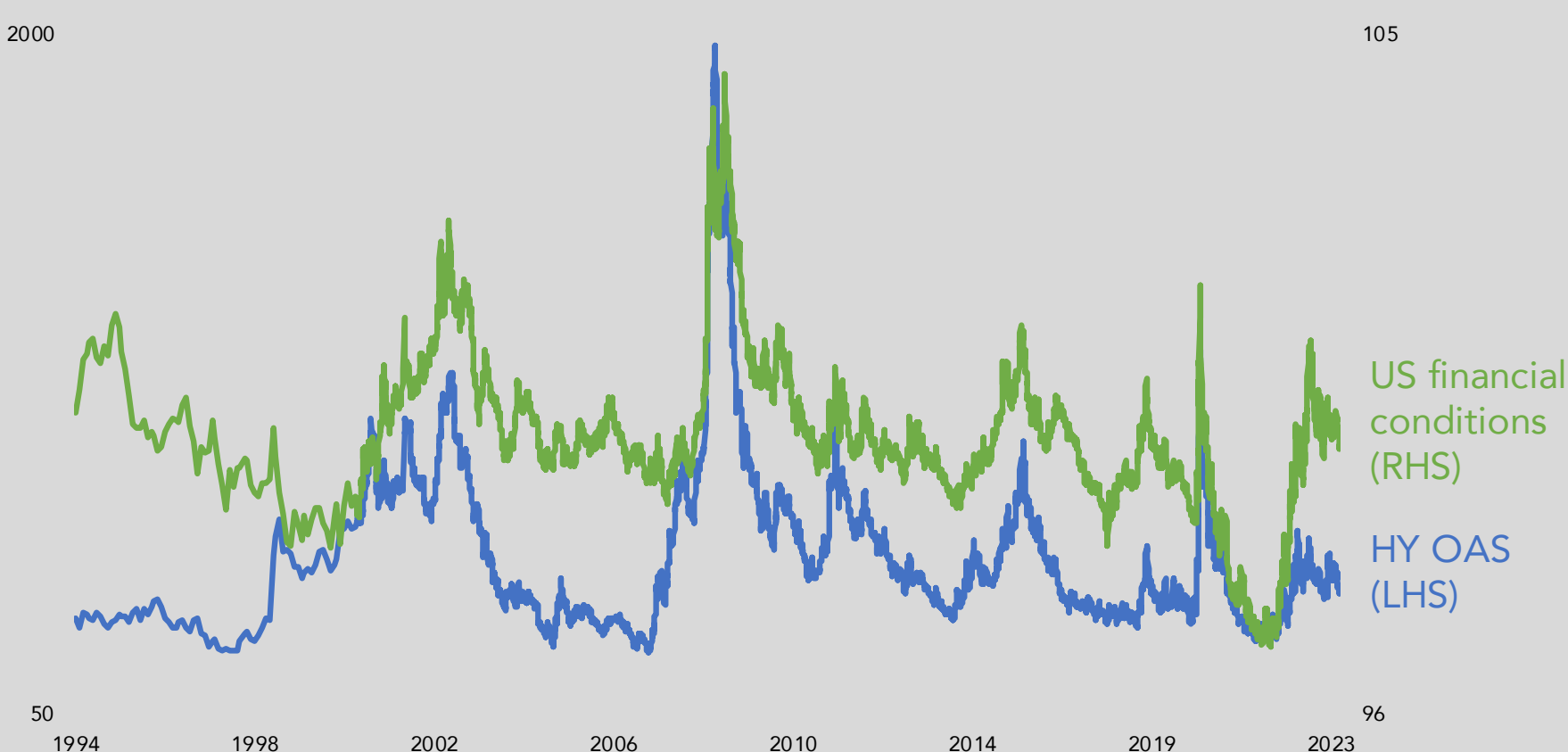


Chart of the Day

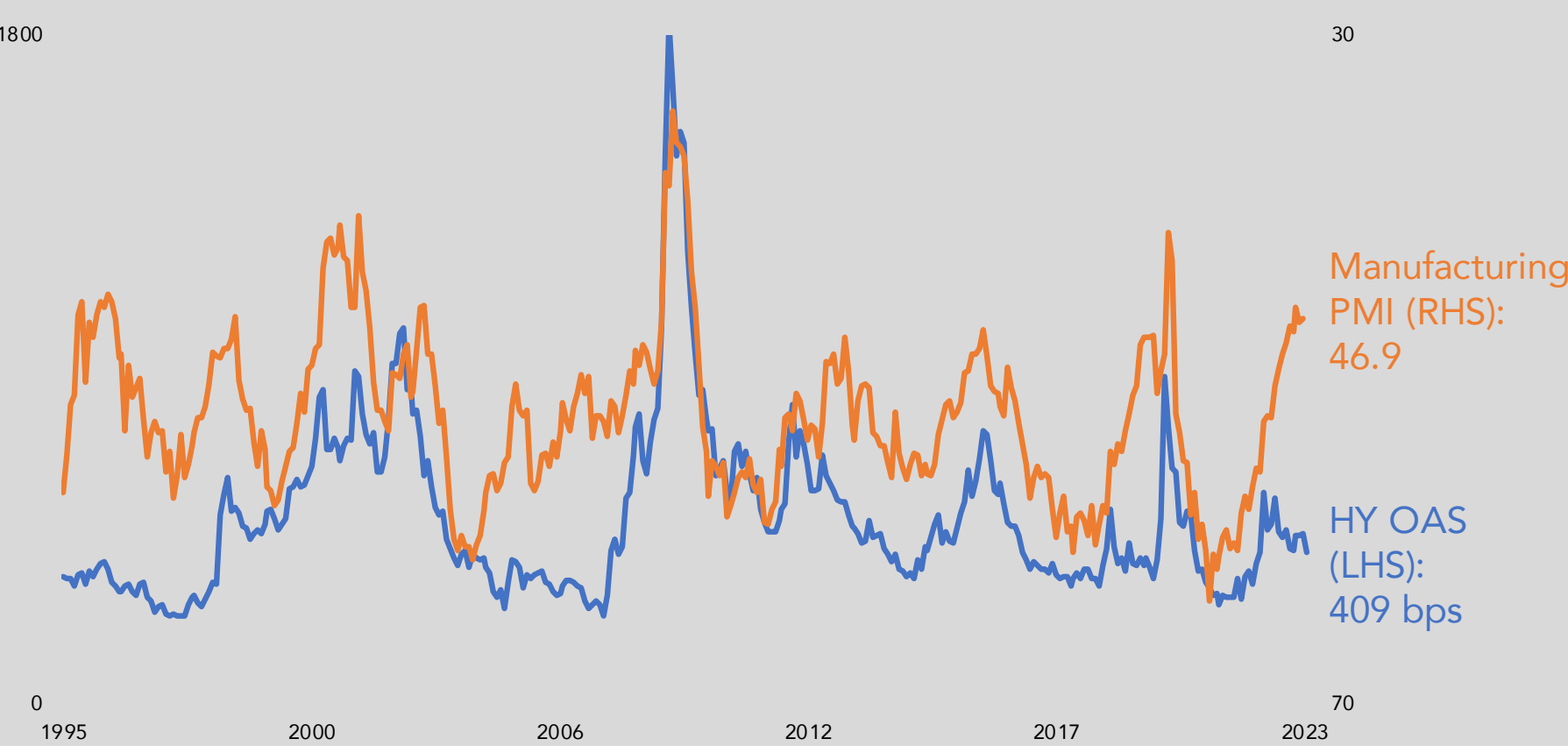
USD HY spreads have been impressively resilient in the 1H 2023, tightening 60 bps year-to-date, and trading well below long-term multi-decade averages. Historically, HY spreads move wider when financial conditions tighten, though have not widened much with this metric thus far.

USD HY OAS & US financial conditions



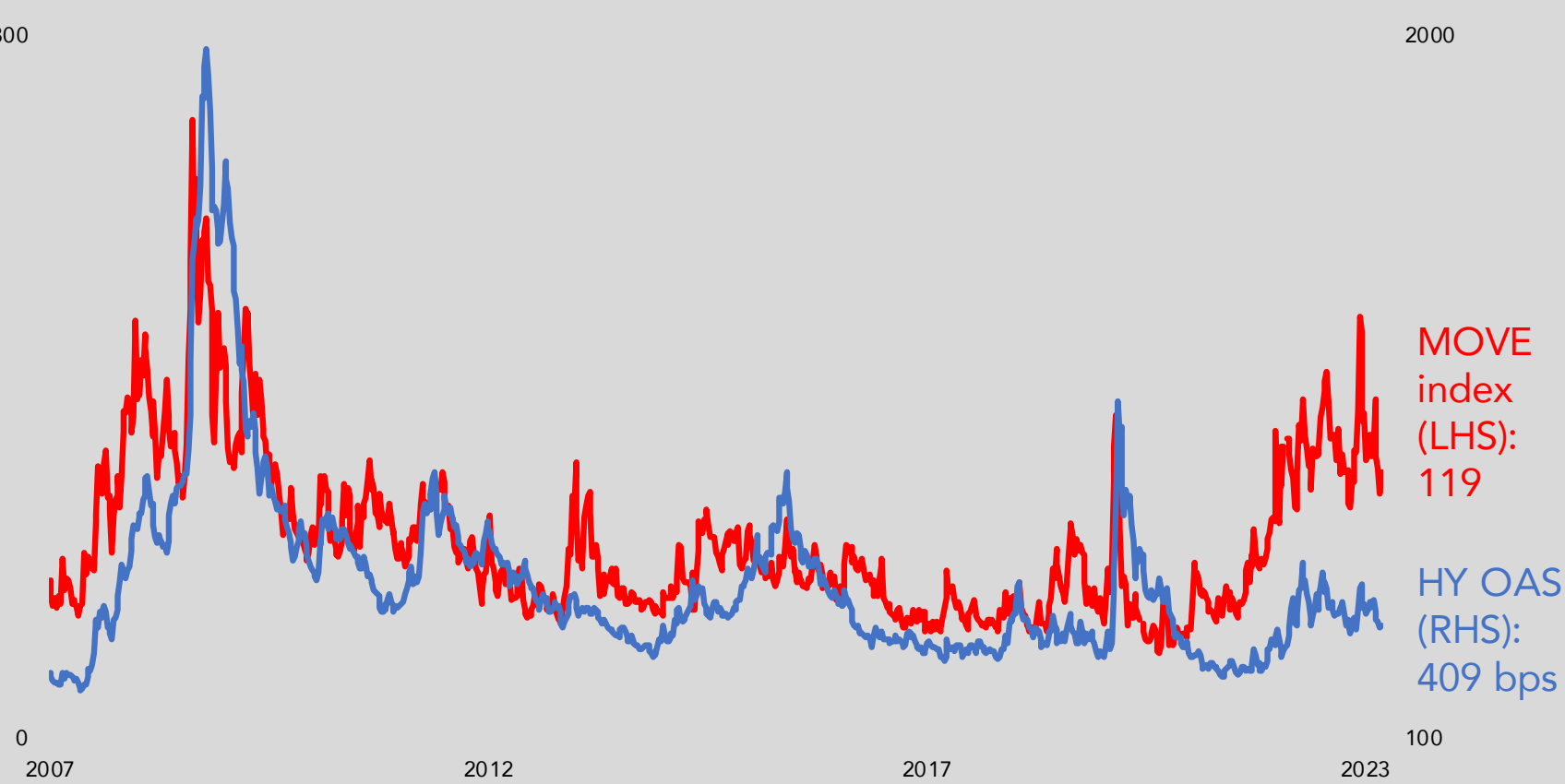
Historically, HY spreads widen as PMI data declines into contraction territory (i.e., below 50), though have not widened much with this metric thus far.

USD HY OAS and US manufacturing PMI (inverted)



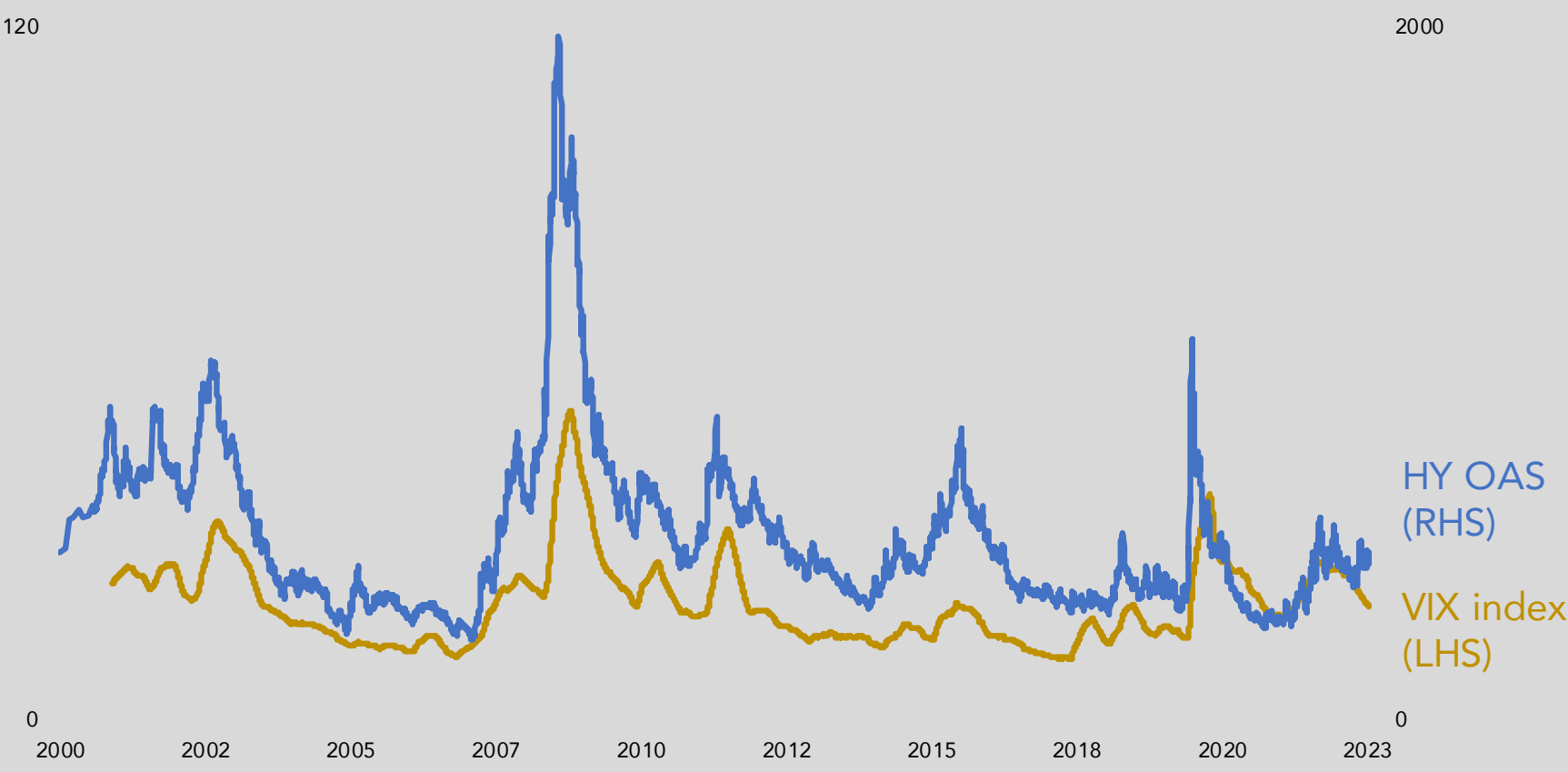
Historically, HY spreads widen with increased rate volatility, though have not widened much with this metric thus far.

USD HY OAS and rate volatility (MOVE) index



Historically, HY spreads widen with equity volatility, which has been muted since the equity rally that began in October. Looking ahead, if rising default rates push credit spreads wider in the 2H 2023, equity volatility may follow suit.

USD HY OAS and rate volatility (MOVE) index



Source: (1-4) Bloomberg. Data as of June 21, 2023

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“Macro stability isn’t everything, but without it, you have nothing.”