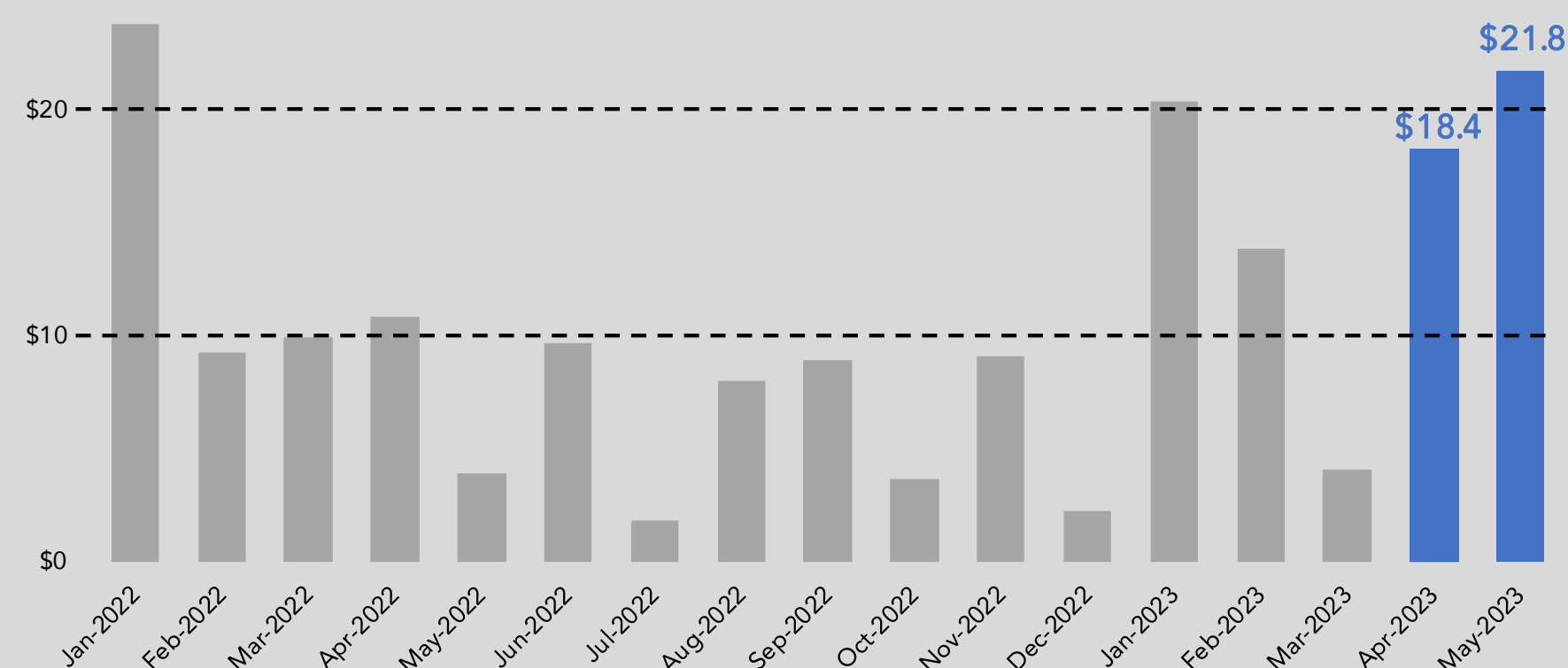


Chart of the Day

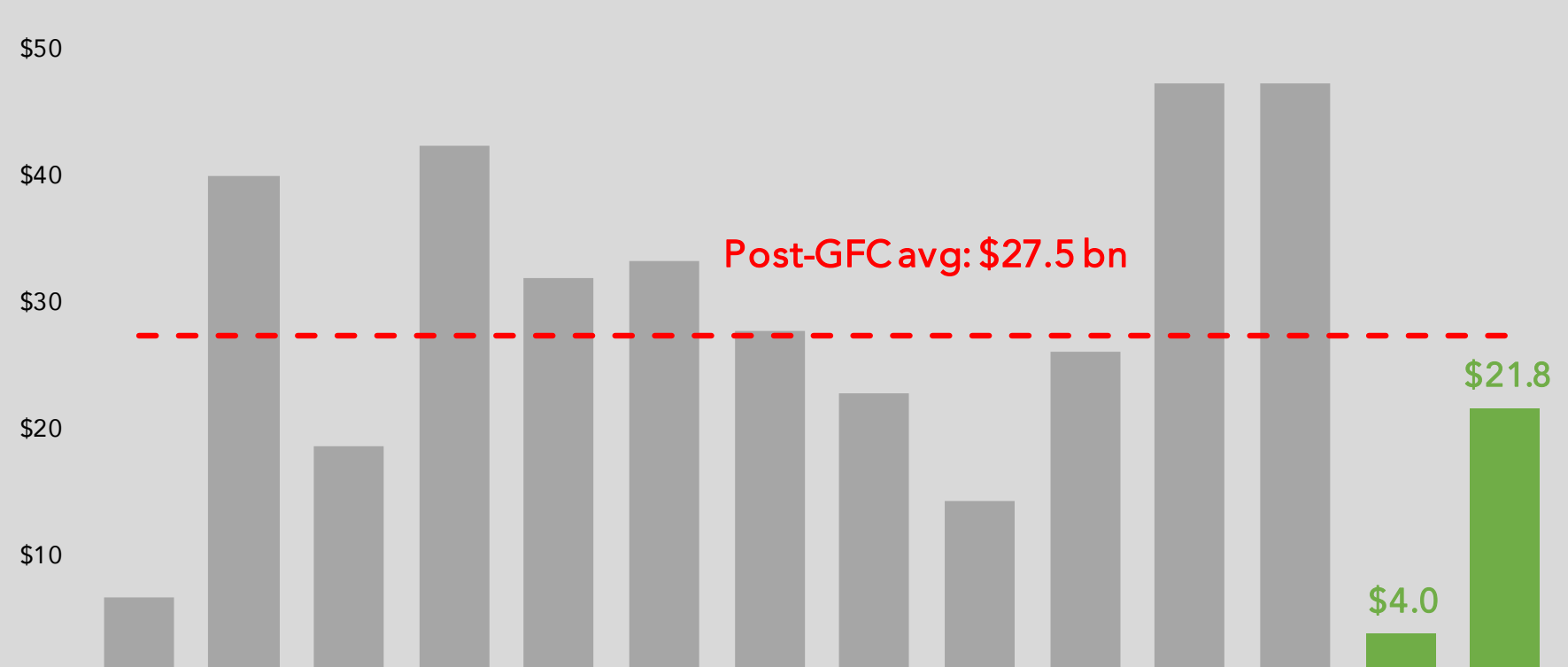
Despite elevated uncertainty from the bank sector, debt ceiling, Fed policy and the economy, US dollar high yield issuance rebounded nicely in May, following lackluster activity in 2022. On the month, High Yield issuers priced \$22 bn of bonds, well below average monthly volumes during the robust issuance year in 2021, but at the high end of estimates for the month.

USD HY monthly issuance, bn



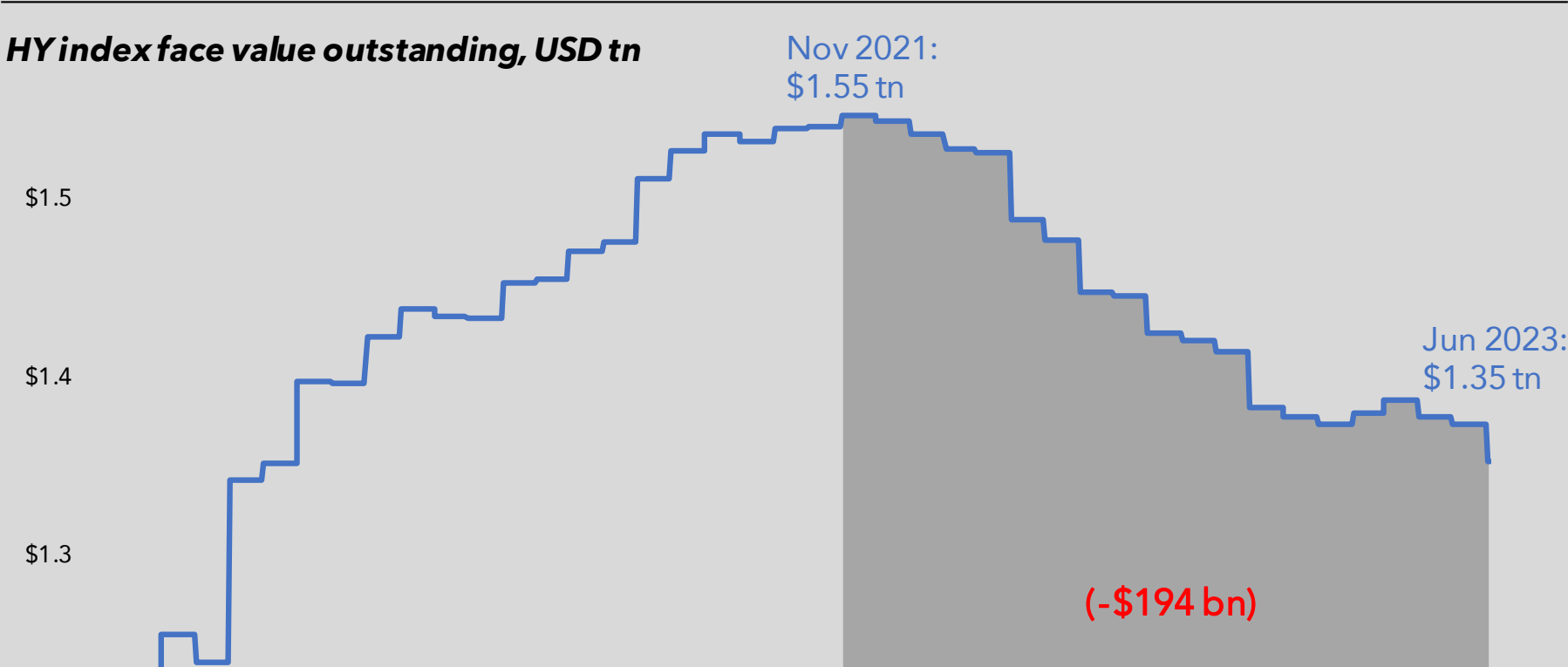
May has historically been an active month for issuers following the Q1 earnings blackout periods in April. May 2023 was no exception as earnings largely exceeded expectations and banking related turmoil subsided. While May 2023 did not reach the post-credit-crisis May average of \$27.5 bn, it well exceeded last year's dismal \$4 bn. With a robust new issue pipeline and the Fed approaching the end of its tightening cycle, we are expecting the uptick in HY new issue activity to continue in June.

USD HY May issuance, bn



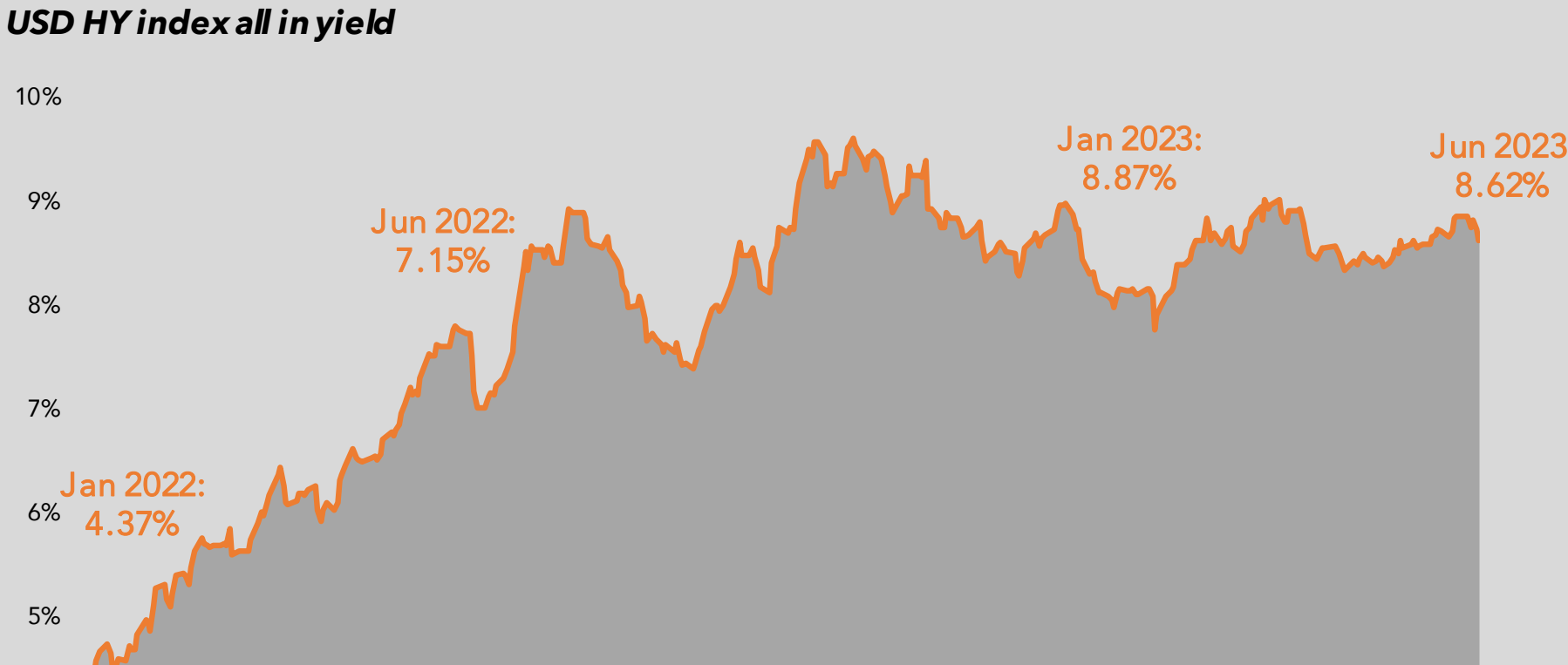
Even as new issue volumes rebound, technical demand remains strong given the lower issuance since the Fed tightening cycle accelerated one year ago. With more than 2/3 of new issuance directed toward refinancing, less than 1/3 of 2023 YTD activity has been net new issuance. The total face value of outstanding high yield bonds has declined \$200 bn since its peak in November 2021 given lower issuance volumes and a recent wave of ratings upgrades among "rising stars."

HY index face value outstanding, USD tn



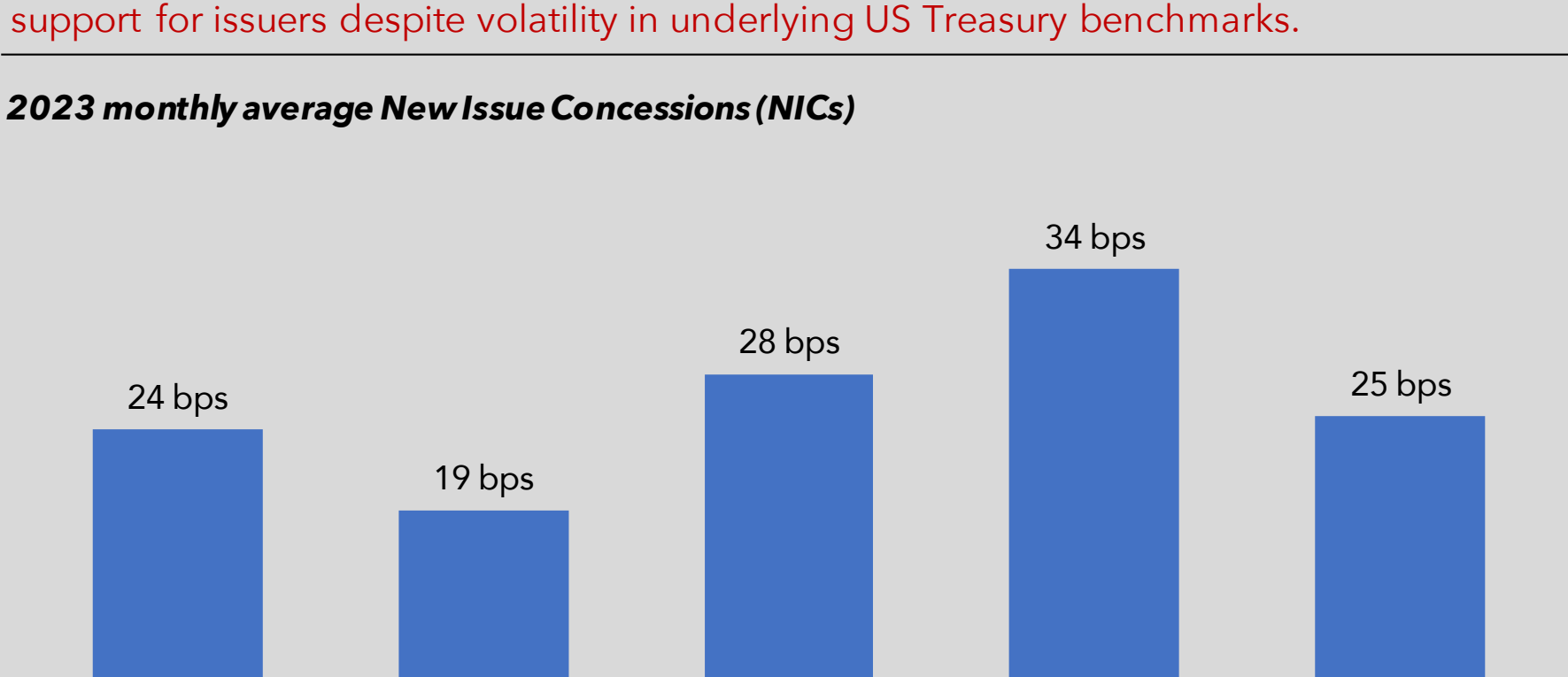
Volatility in the US Treasury market has in turn driven volatility in all-in yields. However, tighter spreads and improved new issue concessions have created a relatively more attractive backdrop for potential issuers.

USD HY index all in yield



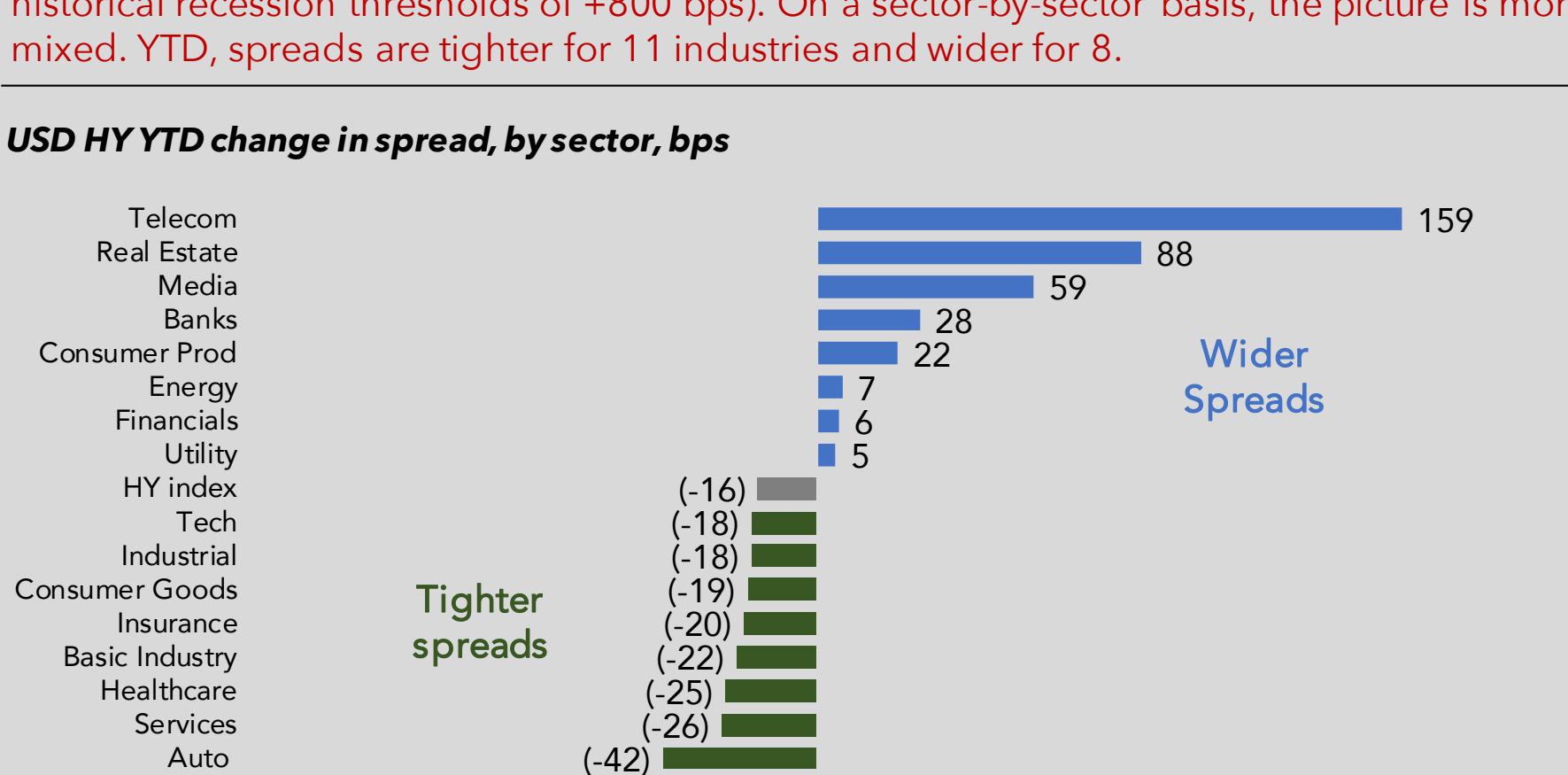
NICs declined in May, relative to the elevated uncertainty in March and April, providing support for issuers despite volatility in underlying US Treasury benchmarks.

2023 monthly average New Issue Concessions (NICs)



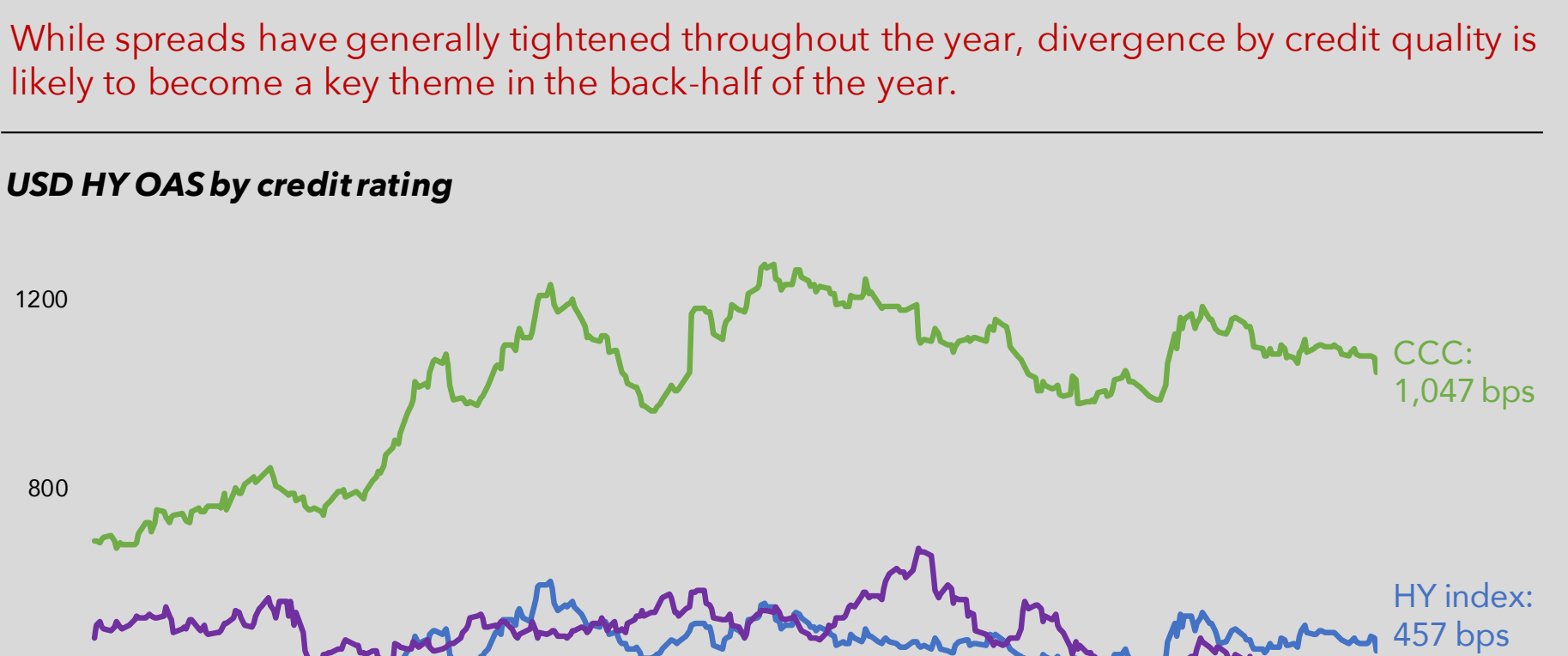
Despite challenges in the month approaching the debt ceiling "x-date" on June 1, USD HY spreads widened modestly to +501 bps and are still 16 bps tighter YTD (and well below historical recession thresholds of +800 bps). On a sector-by-sector basis, the picture is more mixed. YTD, spreads are tighter for 11 industries and wider for 8.

USD HY YTD change in spread, by sector, bps



While spreads have generally tightened throughout the year, divergence by credit quality is likely to become a key theme in the back-half of the year.

USD HY OAS by credit rating



Source: (1-7) Bloomberg, Data as of June 5, 2023. ICE BoA indices. CFR, IFR.

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