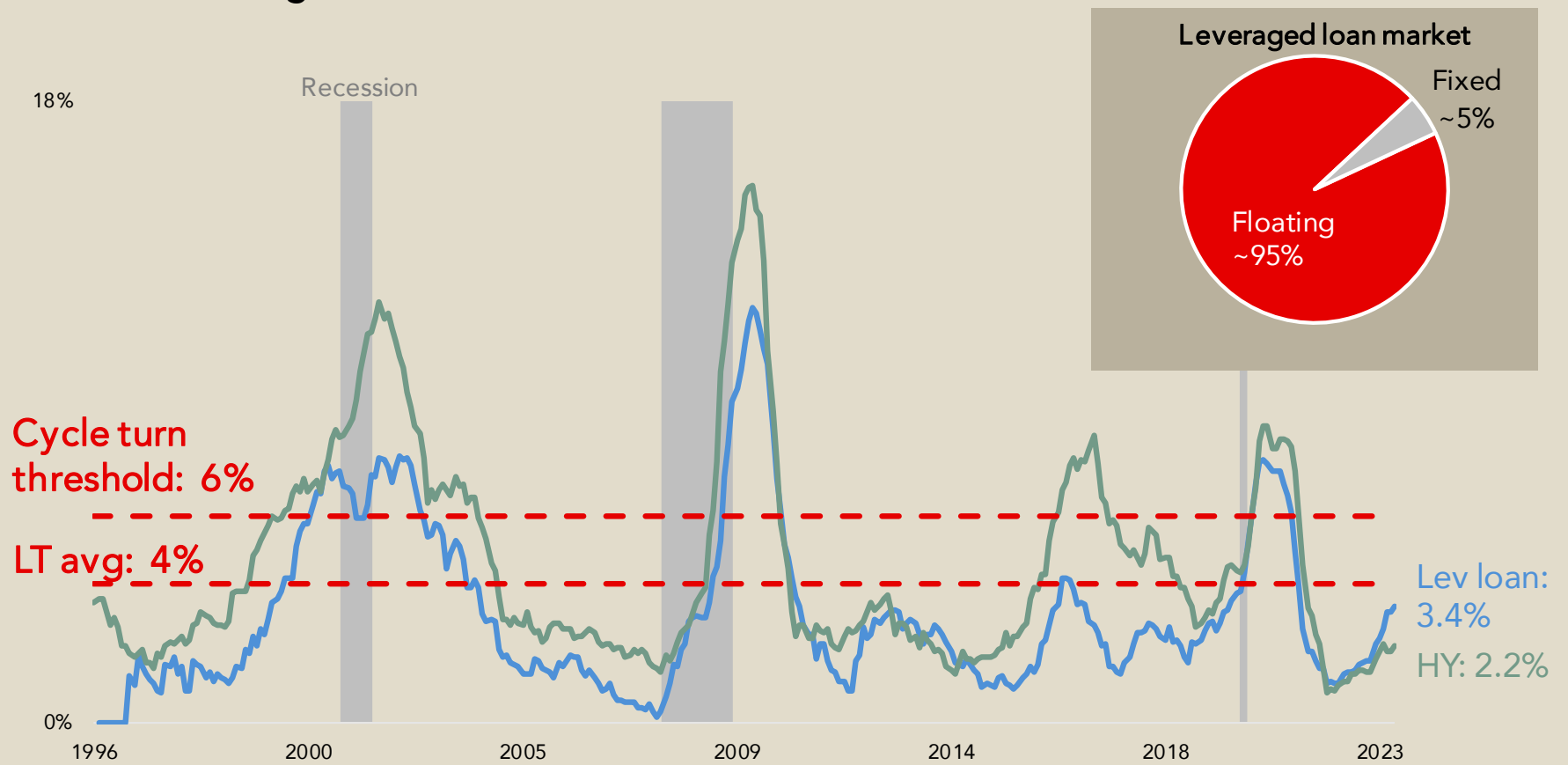


Chart of the Day

High yield bond default rates typically outpace leveraged loan rates. However, in the current cycle, leveraged loan defaults (which are more exposed to floating rate debt) are outpacing high yield bond defaults. As the Fed approaches the end of its tightening cycle, “how long” rates stay elevated is likely to matter more than “how high” rates ultimately reach as a higher for longer environment will put extended financial pressure on the leveraged loan market.

USD HY and leveraged loan default rates



Source: (1) Moody's, "Default Trends - Global May 2023 Default Report." Default rate is trailing 12 months US speculative grade default rate.

Global Corporate & Investment Banking Capital Markets Strategy Team



Tom Joyce
Managing Director
Tom.Joyce@mufgsecurities.com
(212) 405-7472



Hailey Orr
Managing Director
Hailey.Orr@mufgsecurities.com
(212) 405-7429



Stephanie Kendal
Vice President
Stephanie.Kendal@mufgsecurities.com
(212) 405-7443

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