Despite the plethora of market headwinds YTD (bank crises, debt ceiling, Treasury market volatility), US dollar HY spreads have tightened over 75 bps this year on optimism around a potential “soft landing.” While HY spreads widened over 15 bps last week, they are still trading more than 100 bps below LT averages. As the year progresses, risks weigh more heavily toward continued widening.

**USD HY OAS**

Historic recession threshold: 800 bps

LT avg: 525 bps

GFC peak: 1,971 bps

USD HY OAS (2023 YTD)

469 bps

(-77 bps)

392 bps