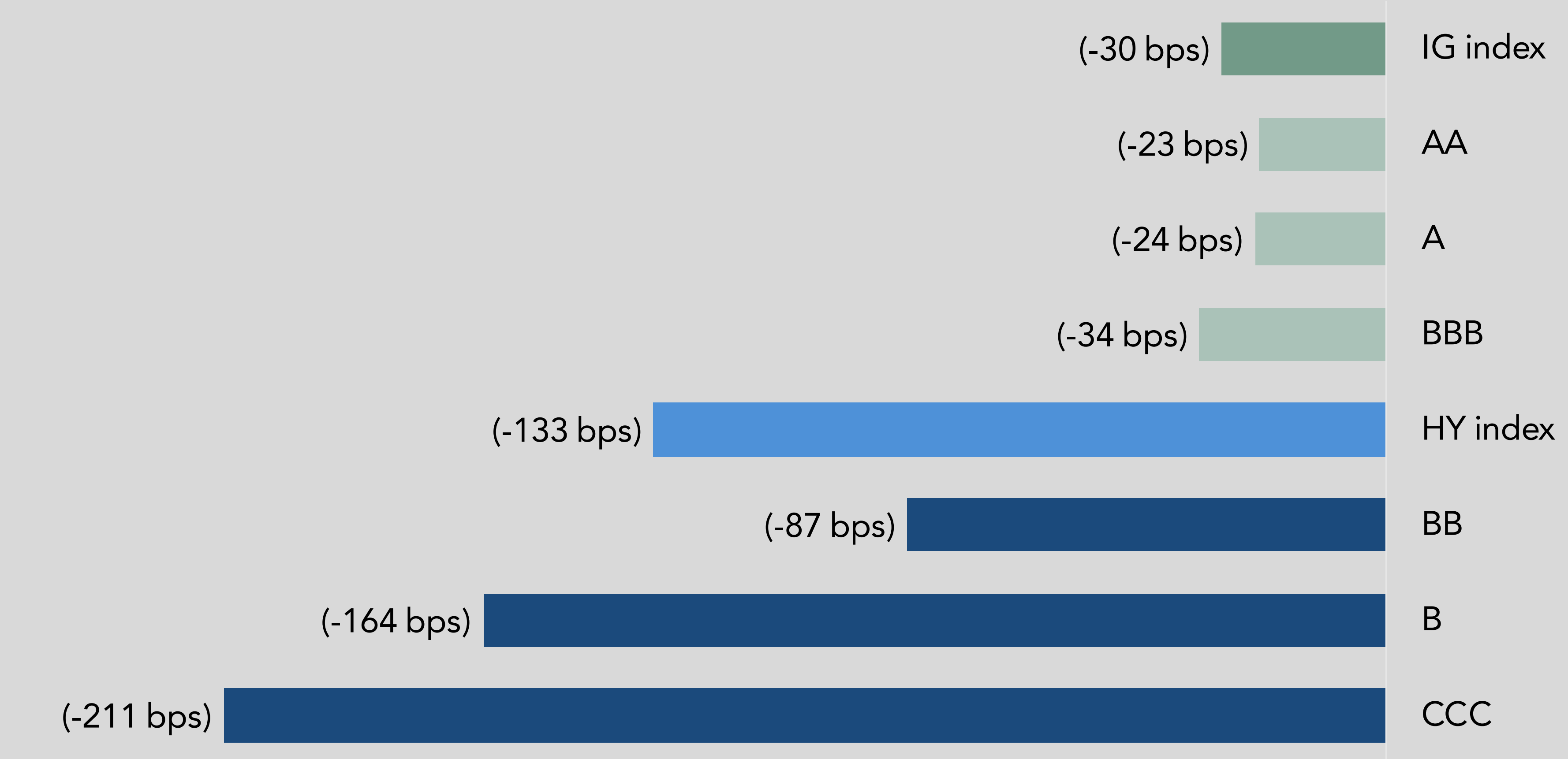
Capital Markets Strategy
Essential inCights for the C-Suite

MUFG

Chart of the Day

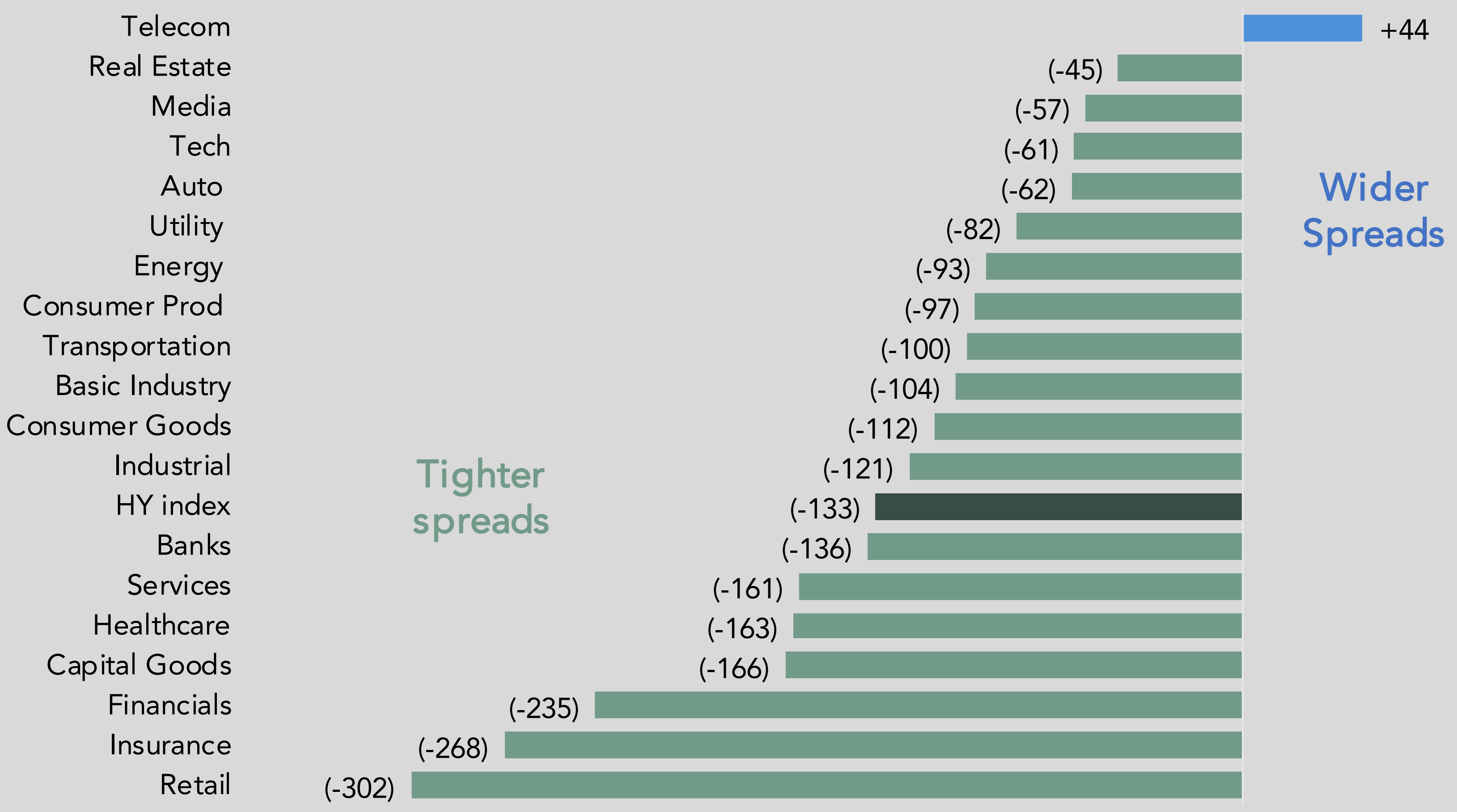
USD credit spreads are currently not pricing a recession, tightening sharply on the year vs. consensus expectations at the beginning of the year for widening. In 2023, IG and HY spreads have tightened 30 bps and 133 bps YTD, respectively.

Change in spreads (2023)



In 2023, High Yield spreads tightened in every industry except telecommunications. Retail spreads, which benefited from stronger than anticipated US consumer tailwinds, tightened the most of any sector. While industry level spreads are currently not indicating recessionary stress, it's notable that spreads have peaked after recessions started in every cycle dating back to 1920, except in 1945. As such, spreads may still be vulnerable to widening pressure given growth deceleration in 2024.

USD HY change in spread, by sector, bps (2023)



Source: (1-2) Bloomberg. 2023 data is through December 15, 2023. IFR. Change in spread by sector data is through December 14, 2023 based on ICE BofA indices. Historical spread data Spreads are derived using the OAS of ICE BofA (2000-today) or Moody's seasoned Baa-rated US corporate bond yield (1962-1999) or the NBER US yields on lowest rating corporate bonds (1920-1961).

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

Angela Sun
Analyst
Angela.Sun@mufgsecurities.com
(212) 405 - 6952

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