

Chart of the Day



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A rising chorus of Wall Street consensus, including CreditSights research, remains optimistic around a “soft landing” in 2024. Due to the lagging impact of an historic Fed tightening cycle, and a weakening consumer, MUFG’s Macro Strategy team and credit desk analysts believe a “bumpy” landing and “mild” US recession is more likely. While our base case scenario for USD IG and HY spreads point to modest widening in 2024, MUFG’s outlook for corporate credit spreads remains very constructive by the standards of US recessions historically.

Scenario analysis for 2024 credit spreads

		Spot (Dec 20)	Soft Landing	Mild Recession/ Stagflation	Hard Landing
IG Index	MUFG	103 bps <i>(Bloomberg OAS)</i>	85 - 120 bps	95 - 140 bps <i>Base case</i>	100 - 180 bps
	CreditSights	104 bps <i>(ICE BofA OAS)</i>	100 bps <i>Base case</i>	150 bps	200 bps
HY Index	MUFG	334 bps <i>(Bloomberg OAS)</i>	315 - 415 bps	340 - 490 bps <i>Base case</i>	340 - 640 bps
	CreditSights	343 bps <i>(ICE BofA OAS)</i>	350 bps <i>Base case</i>	500 bps	750 bps

Source: (1) George Goncalves (Head of MUFG US Macro Strategy), Andrew Myers & Bill Matthews (MUFG credit desk analysts), Glenn Schultz (MUFG quant analytics team). CreditSights, “US IG & Crossover 2024 Outlook: Hurry Up & Wait.” Bloomberg. Data as of December 20, 2023.

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