

Capital Markets Strategy

Essential insights for the C-Suite



Monthly Market Recap

April 2024

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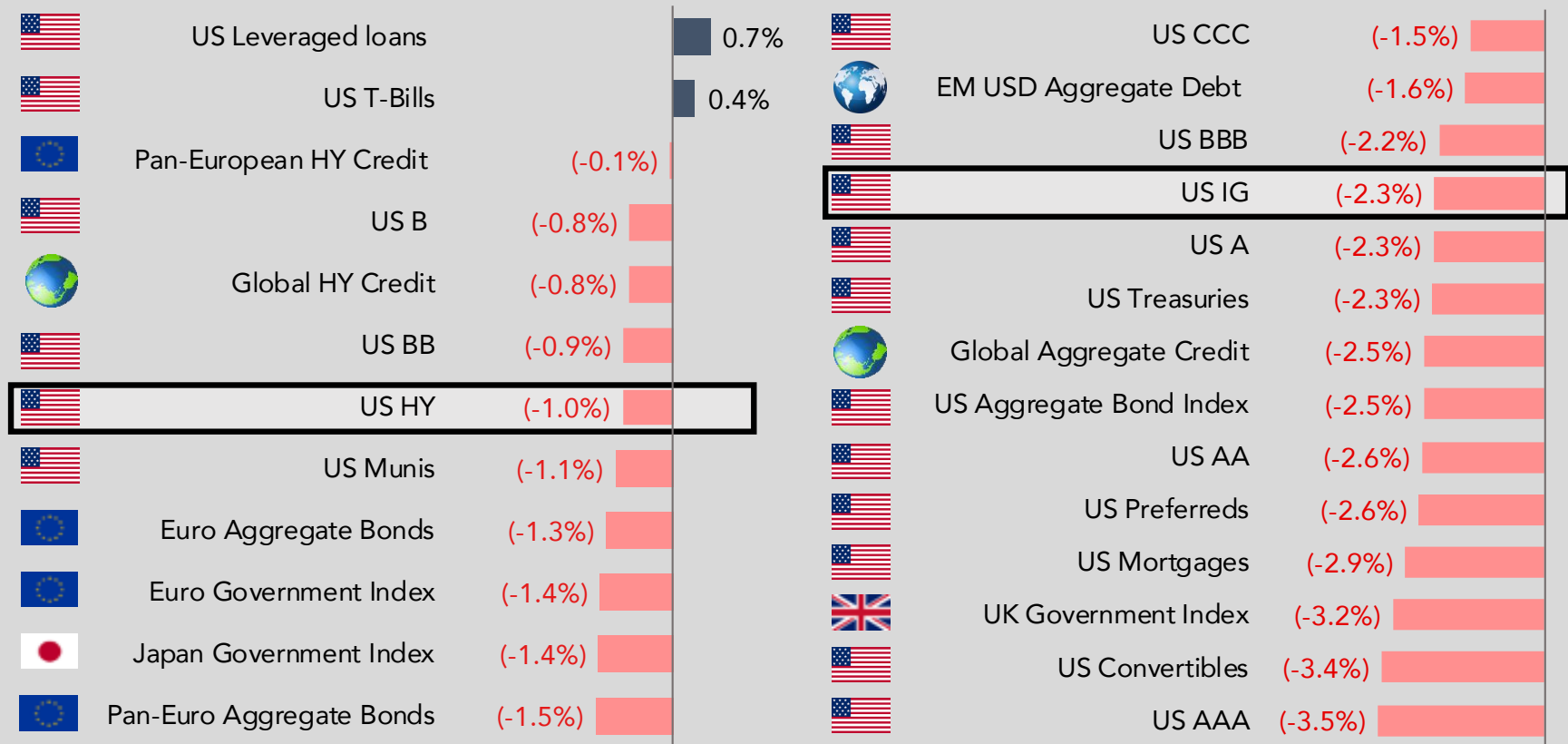


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April Credit Market Total Returns Broadly Negative

The largely floating-rate leverage loan market outperformed in April, in what was otherwise a notable month of underperformance across global credit markets. Back in January, the Fed was expected to be the first major central bank to cut rates with markets pricing 5-6 rate cuts on the year. US economic data has since delayed and decreased expectations for Fed easing, triggering a rapid repricing across global credit markets.

April credit market total returns



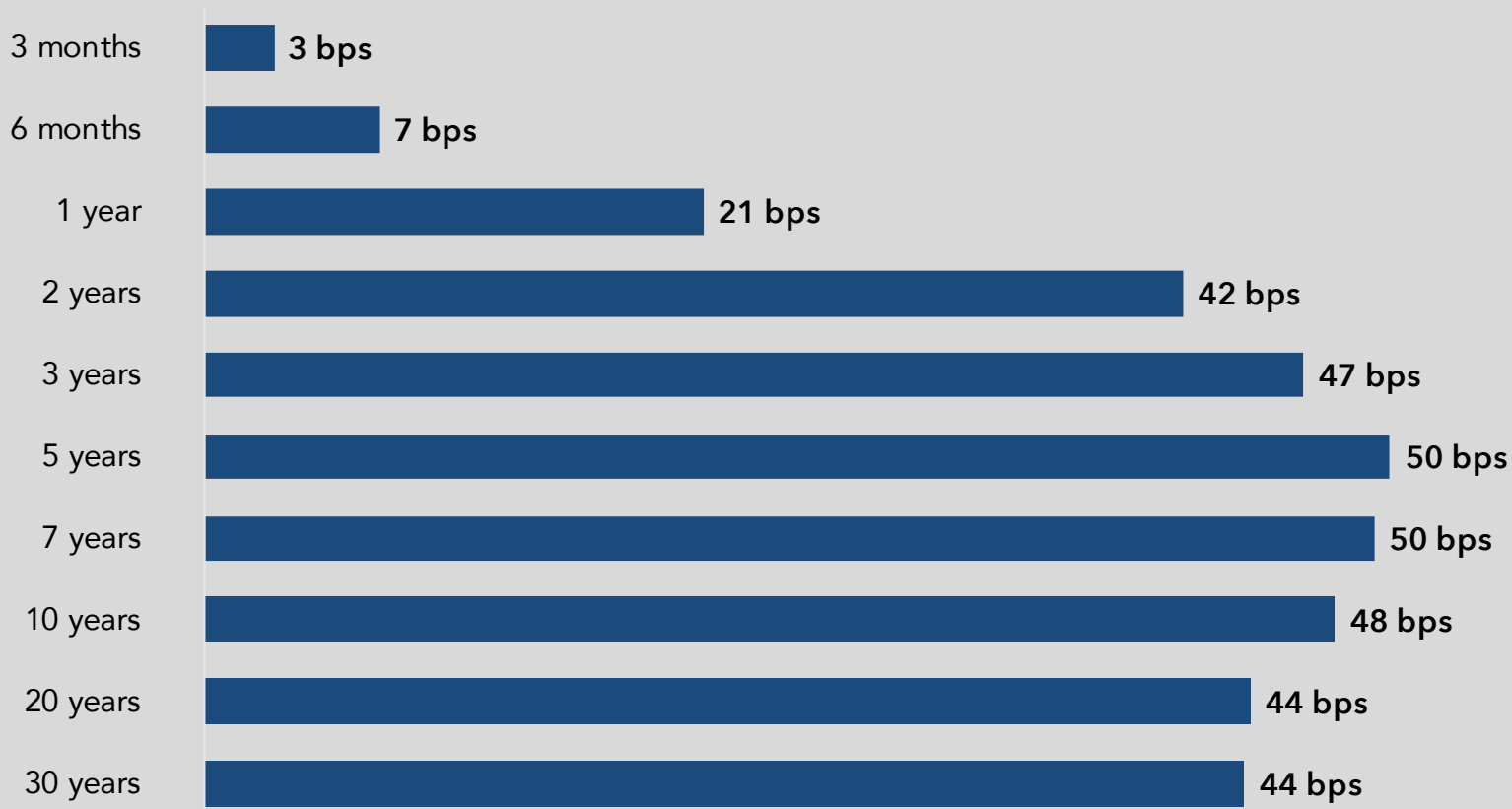
Source: (1) Bloomberg. Data as of April 30, 2024.

UST Yields Wider Across the Curve in April



US Treasuries had their worst performance in 14 months as rates moved higher across the curve and are hovering near their highest levels of the year. In April, 2yr USTs jumped back above 5% for the first time in six months, while 10yr USTs returned to highs last seen in November.

Change in UST rates in April 2024

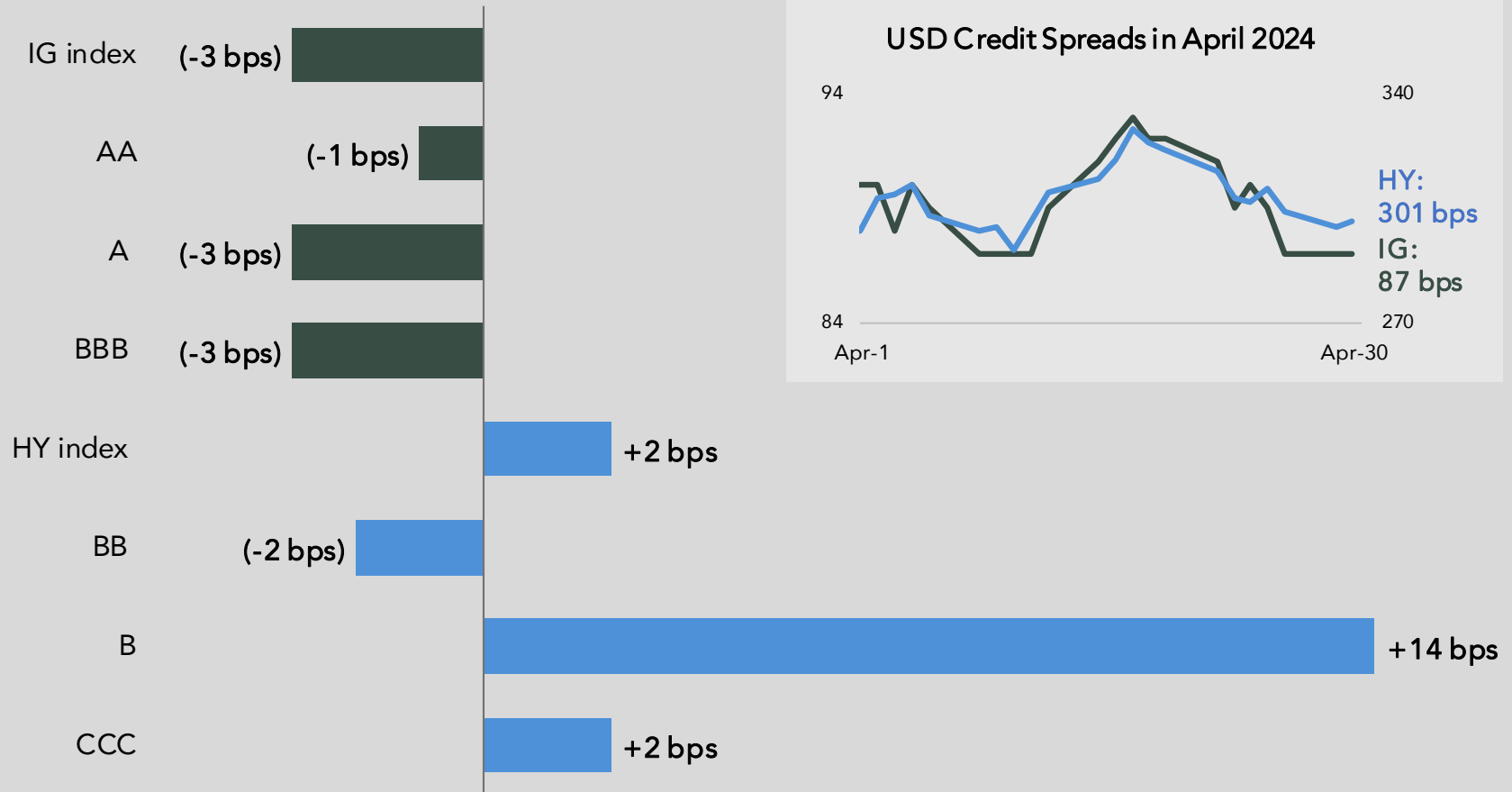


Source: (1) Bloomberg. Data as of April 30, 2024.

USD Credit Spreads Mixed in April

After broad-based tightening in Q1, spreads took a “risk-off” tone in April, moving broadly wider toward the middle of the month before a recovery in the final weeks. Single B spreads widened the most in the month.

USD credit spreads in April 2024

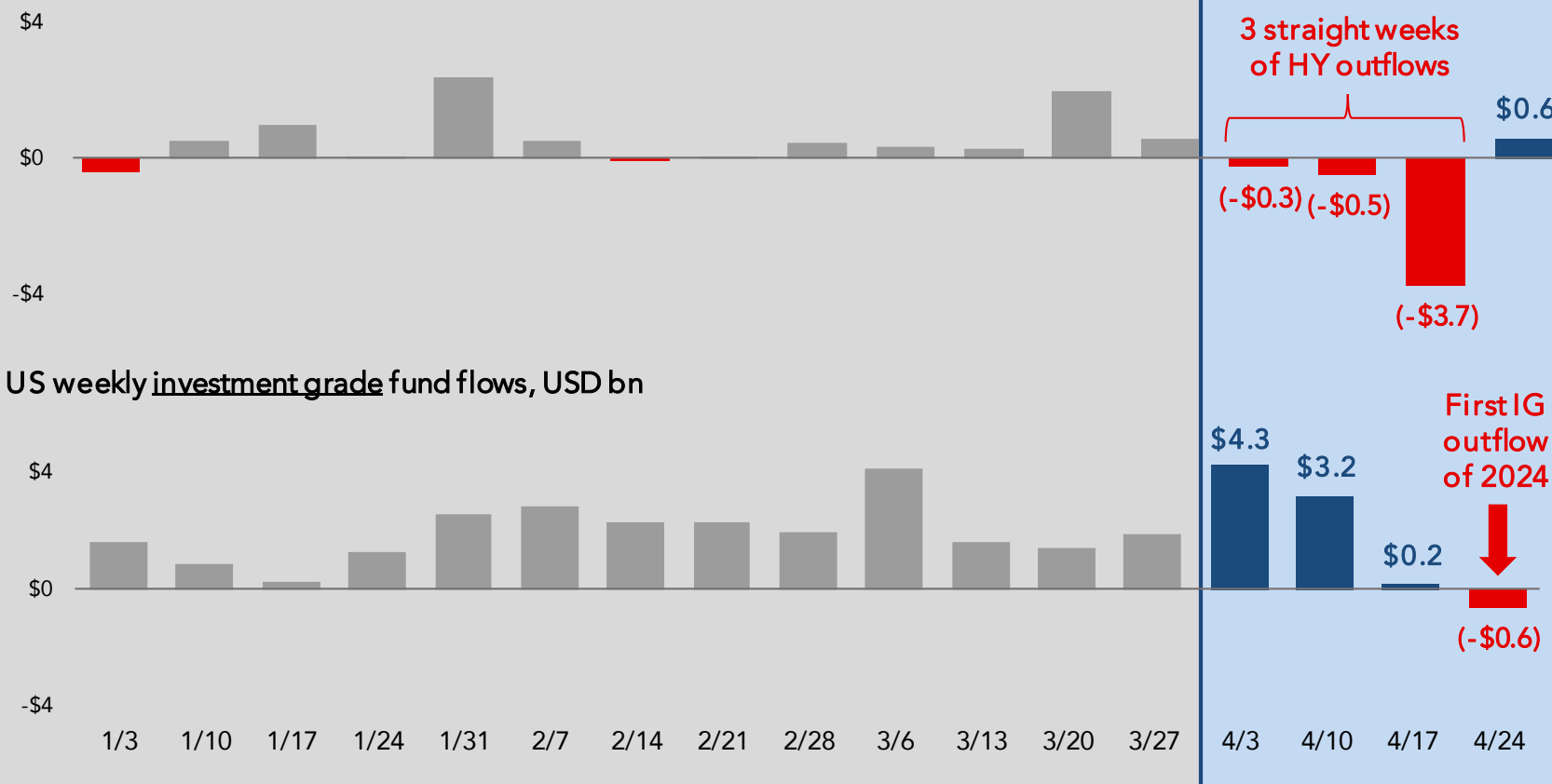


Source: (1) Bloomberg. Data as of April 30, 2024.

Bond Outflows Commence in April

The USD HY bond market experienced outflows in three of four weeks in April as the market repriced the timing and pace of 2024 Fed rate cuts. At the end of the month, USD IG funds posted their first bond outflows of the year. Against this backdrop, investors became more concerned about credit and duration risk.

US weekly high yield fund flows, USD bn

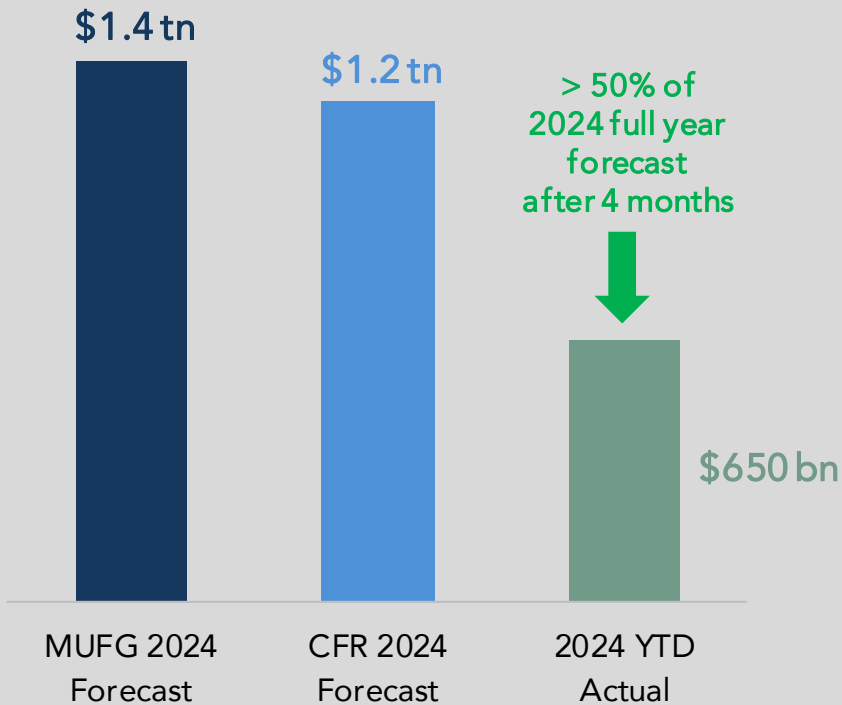


Source: (1) IFR. Data as of April 25, 2024.

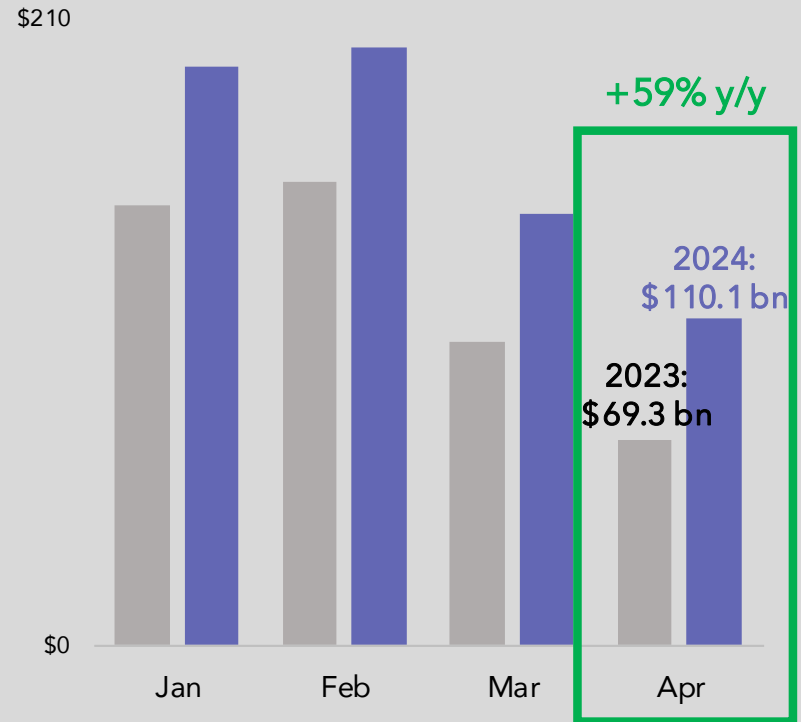
IG Issuance Surpasses "Halfway Point" of 2024 Forecasts

At \$110 bn, USD IG issuance exceeded expectations in April and pushed year-to-date volumes to \$650 bn. Year-to-date volumes in just the first four months (1/3) of the year have now surpassed the halfway point of consensus estimates for the full year 2024. Despite exceeding expectations, April volumes slowed from the record-breaking Q1 period. Corporate volumes, in particular, fell below trend during the bank-issuance heavy month.

2024 USD IG issuance forecasts



2023 vs. 2024 USD IG issuance, bn

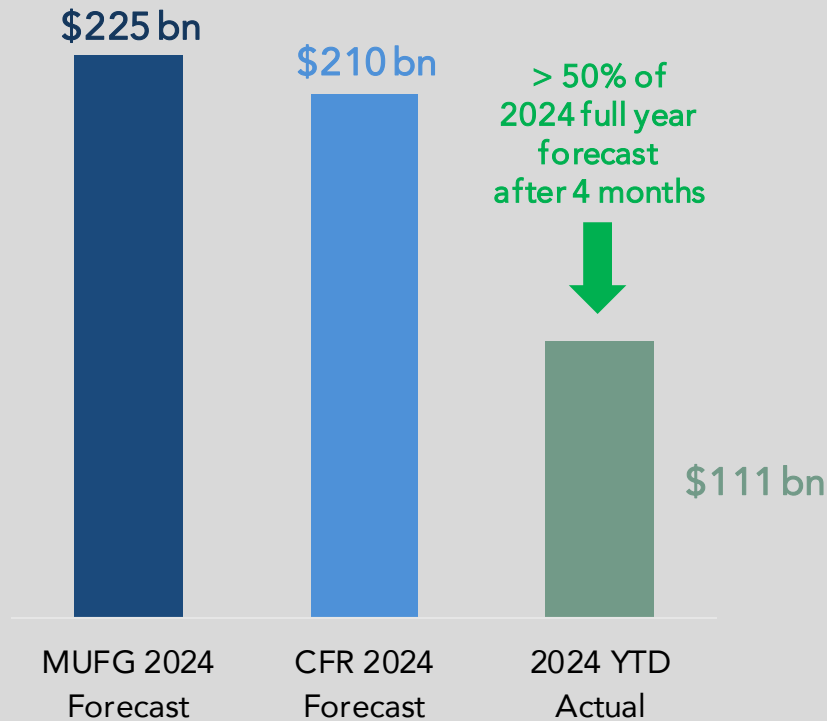


Source: (1-2) CFR. CFR forecast is consensus average. Data as of April 30, 2024.

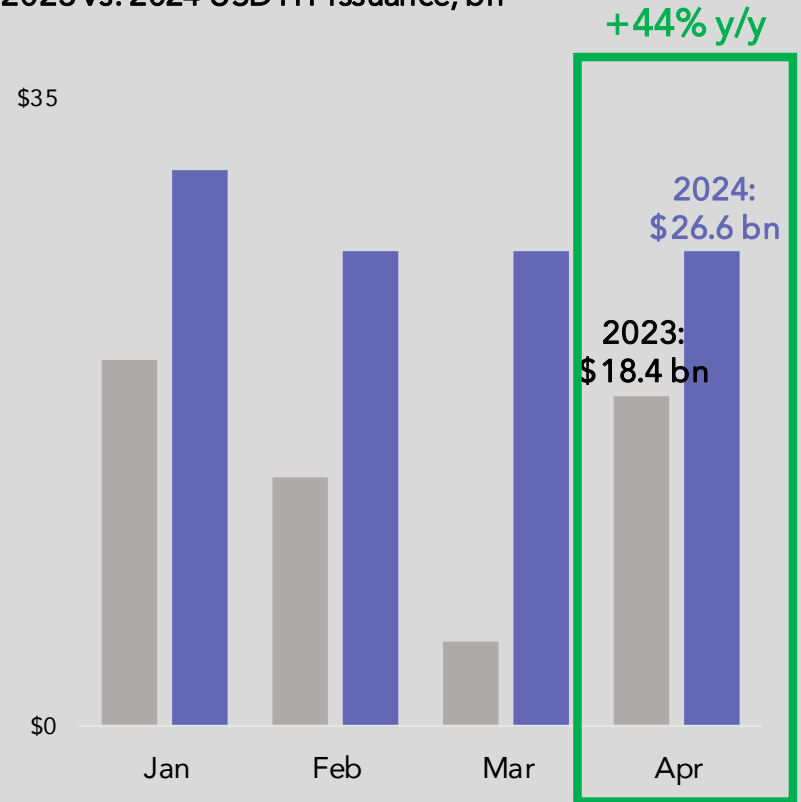
HY Also Surpasses "Halfway Point" of 2024 Forecasts

April 2024 high yield issuance was in-line with consensus estimates for the month of \$20 - 35 bn. Final issuance volume of \$26.6 bn brought year-to-date issuance to nearly \$111 bn. Similar to the trend in investment grade markets, the high yield market surpassed the halfway point of consensus full-year forecasts with just 1/3 of the year complete.

2024 USD HY issuance forecasts



2023 vs. 2024 USD HY issuance, bn

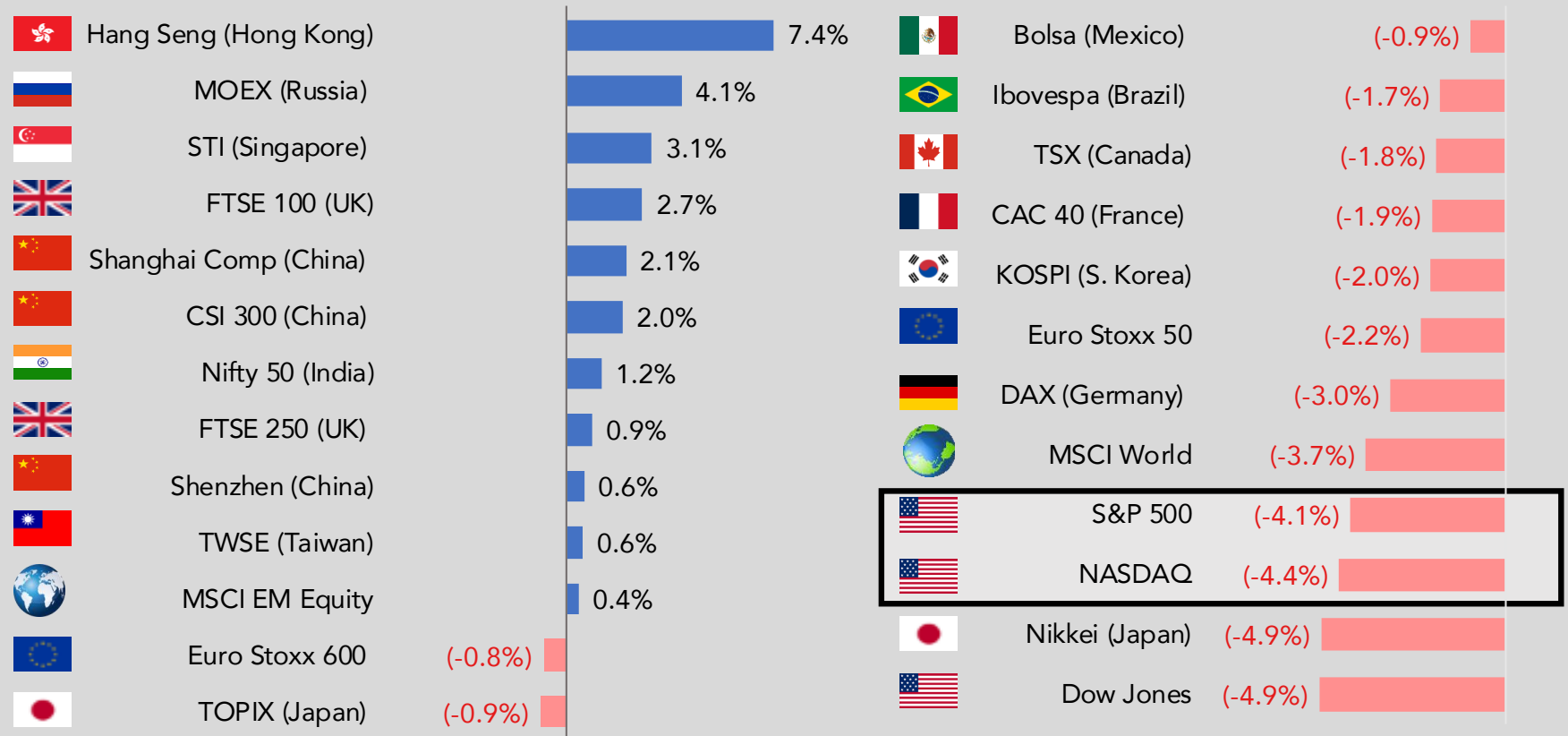


Source: (1-2) CFR. CFR forecast is consensus average. Data as of April 30, 2024.

Worst Month for US Equities Since September

After underperforming in Q1, Chinese equities bounced back in April while US equities suffered their worst month since September 2023, as the repricing of Fed rate cuts drove risk-off sentiment in the month.

April regional equity market performance

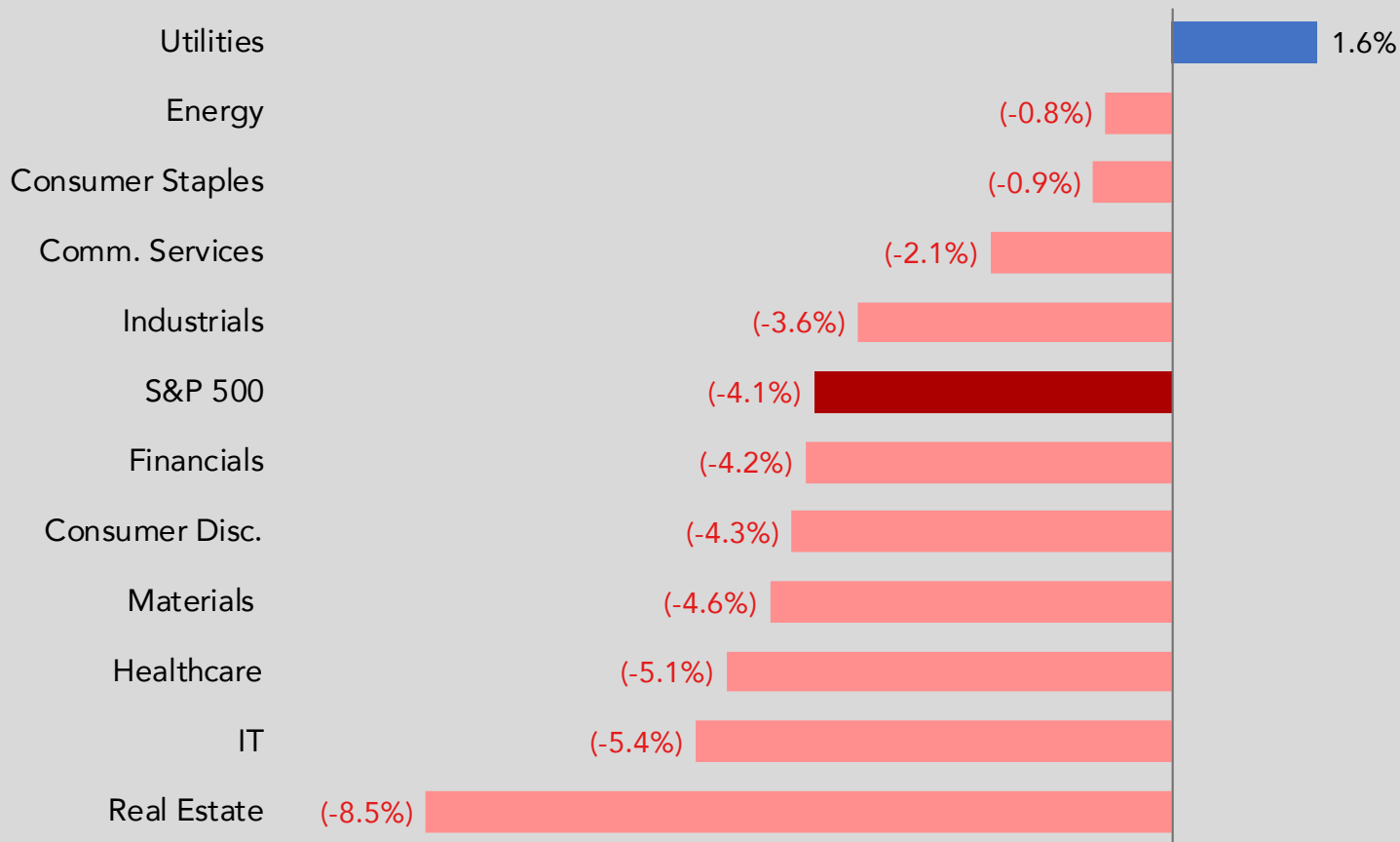


Source: (1) Bloomberg. Data as of April 30, 2024.

Broad Based S&P 500 Industry Weakness in April

10 of the S&P 500's 11 sectors posted negative returns in April as the index suffered its worst monthly performance since September.

April S&P 500 industry sector performance

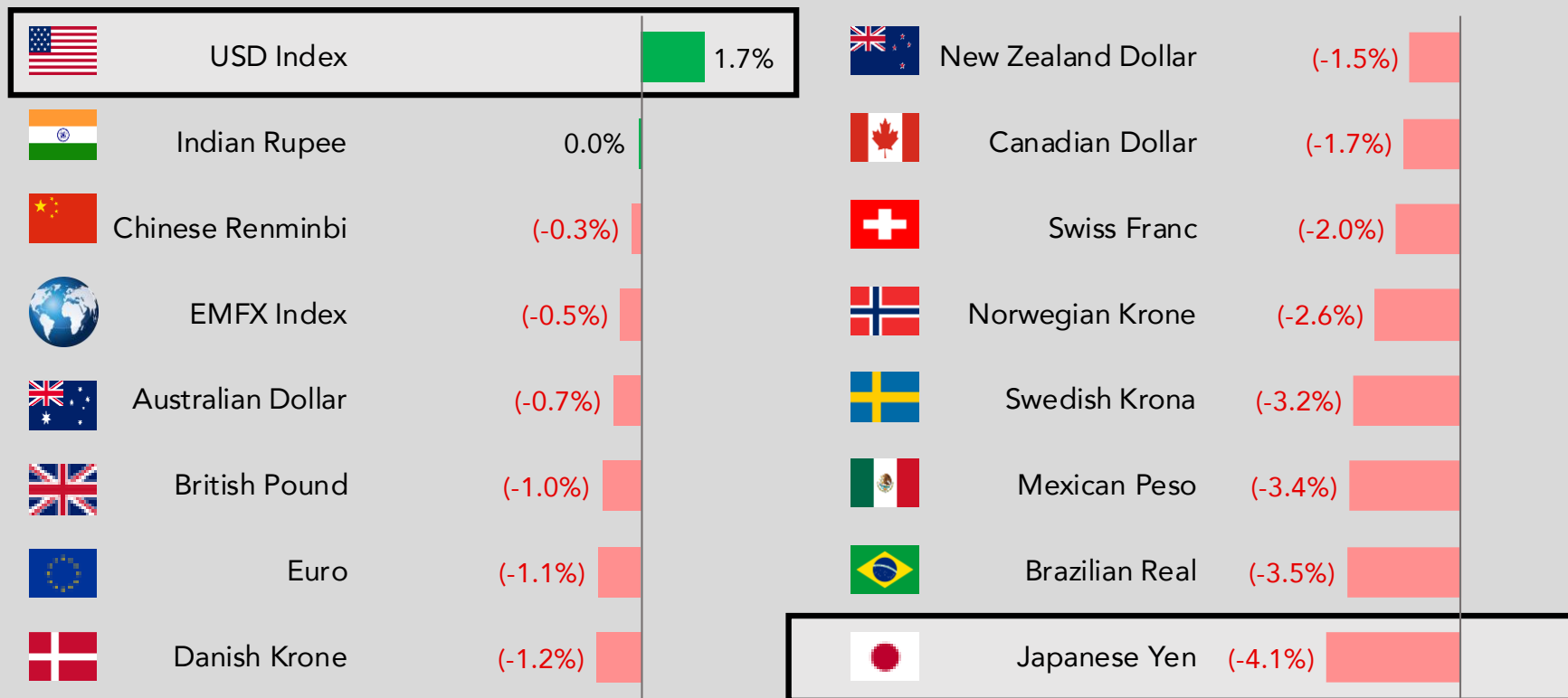


Source: (1) Bloomberg. Data as of April 30, 2024.

USD Continues Outperformance in April

The USD continued to strengthen in April as expectations for Fed policy diverged from other major central banks globally. Most notably, JPY briefly moved above 160 in April, its weakest level since 1990 (34 years).

April currencies performance vs. USD

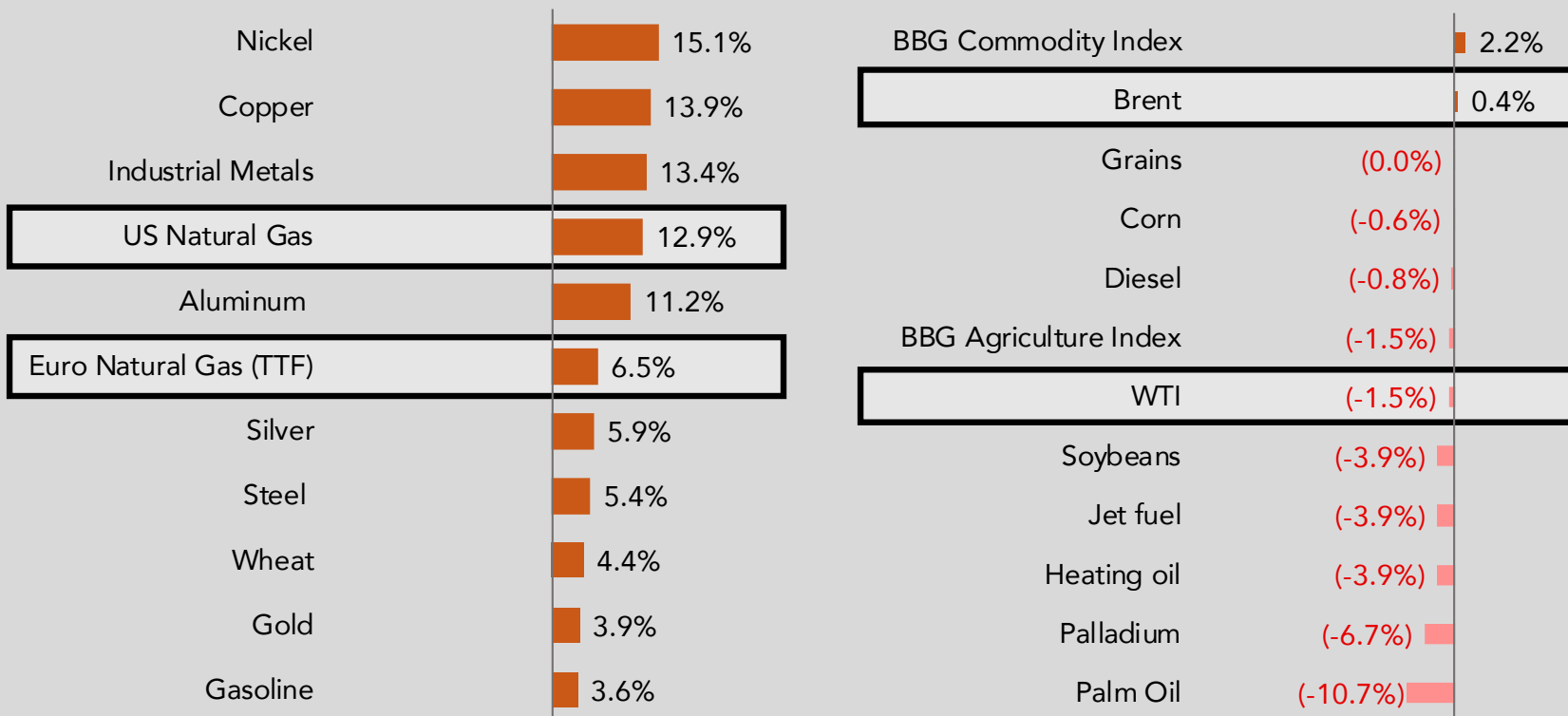


Source: (1) Bloomberg. Data as of April 30, 2024.

Metals & Nat Gas Outperform in April

Commodities broadly have been the best performing cross-asset class year-to-date, up roughly 5% due to a combination of late-cycle dynamics and geopolitical tailwinds. In April, US natural gas prices snapped back after five consecutive months of decline while a reduced geopolitical risk premium made for mixed performance in oil markets.

April commodities performance



Source: (1) Bloomberg. Data as of April 30, 2024. MUFG Commodities Weekly (Ehsan Khoman). All values are price change. Commodities Index and Agriculture Index are total return.

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