

Chart of the Day



Looking back at historic US recession thresholds for numerous credit market metrics, today's USD HY market is not pricing elevated US recession risk.

HY credit metrics

Metric	Historic recession threshold	Recent level	Recession signal
HY spreads	> 800 bps	320 bps	✓ Not yet
CCC spreads	Sharp widening	Tightening (27 bps tighter YTD)	✓ Not yet
HY funding costs (yield)	Sharply higher	Costs declining (yields 29 bps tighter YTD)	✓ Not yet
HY total returns	Negative on trailing 12 month basis	Trending positive in 2024 (+6% YTD)	✓ Not yet
HY net leverage	Sharp spike	3.6x (below historical median)	✓ Not yet
Default rates	> 6%	4.6% (steady decline since Apr 2024)	✓ Not yet

Source: (1) Bloomberg. CreditSights. HY leverage metrics are as of Q1 2024. S&P Capital IQ Default, Transition and Recovery August 2024 report. Default rate is June 2024 US speculative grade corporate default rate. Data as of September 4, 2024.

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.”