

Key Takeaway*

- Global fixed income returns were positive but dispersed. US Treasuries and US high yield outperformed all other segments of the global fixed income markets
- US corporate credit benefitted from solid technicals as well as a nice tailwind from the decline in rates
- The Macron victory in France in the first round of the presidential election provided comfort to investors that the hope for a united European Union remains alive. We will look to the outcome of the second round on Sunday, May 7th
- In Turkey, a referendum in favor of an Erdogan Executive Presidency was accepted with 51% of the votes. Interestingly, the market has reacted positively to this news given a tightening in Turkish sovereign spreads. The medium/longer term outlook, however, is less certain

*Muzinich Analysis

High Yield and Leveraged Loan Technicals

US Retail Fund Flows *

\$0.7 billion in high yield inflows, \$4.6 billion in leveraged loan retail inflows MTD (through 04.28)

HY New Issuance*	US	EUR	Main Market Driver***
YTD	\$111.4 bn	€33.9 bn	Macro: Macron first round win
MTD	\$12.7 bn	€7.1 bn	Micro: Generally positive technicals
Loan New Issuance*	US		Default Rates**
YTD	\$408.7 bn		LTM US 3.0%
MTD	\$77.7 bn		LTM EUR 1.9%

Default rates are dollar weighted. Through 03.31.17. Trailing 12 months.

US and European figures through April 28

New Issuance Names (500 mn and above) MTD ***

Anglo American, Zayo Group, USI Inc., CNH Industrial, Ultra Petroleum, Cedar Fair, SPCM, Turor Perini, ASP Air Method, Lennar Corp, Tempo Acquisition, Nustar Logistics, Laureate Education Inc., Garda World Security Corp, Eagle Holding

New Issuance Pipeline MTD (Announced ***)

Unisys, AV Homes, USG Corp

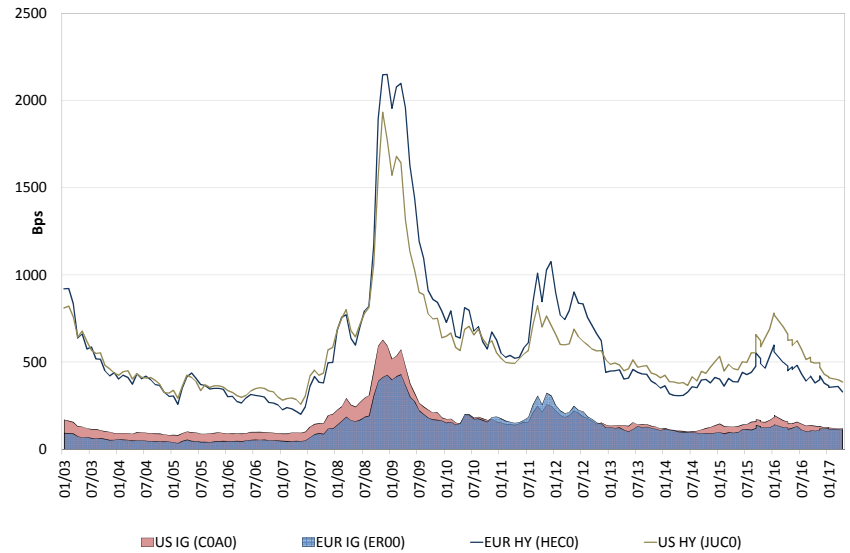
*JP Morgan for U.S. and Credit Suisse for Europe; European figures include non-Euro issues of European companies. ** Moody's; ***Muzinich & Co.

Market Performance % and Statistics as of 2017-04-30

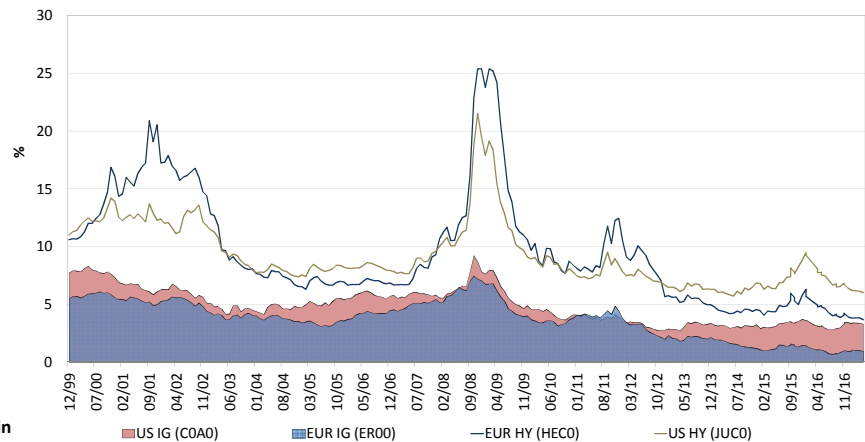
		Previous			Duration		Yield	Spread
		MTD	Mth	QTD	YTD	DTW	YTW	STW
High Yield								
JUC0	US HY Cash Pay Constr.	1.13	-0.21	1.13	3.87	3.74	5.57	387
JC4N	US HY BB/B Non-Fncl. Constr.	1.20	-0.15	1.20	3.51	3.80	4.88	317
HEC0	Euro HY Constr.	1.09	-0.04	1.09	2.78	3.15	2.84	330
HEC5	Euro HY BB/B Non-Fncl. Constr.	1.05	-0.18	1.05	2.55	3.20	2.36	283
Investment Grade								
C0A0	US Corp Master	1.00	-0.12	1.00	2.43	6.97	3.27	120
C4NF	US Corporate BBB Non-Financial	1.08	-0.11	1.08	2.83	7.19	3.63	151
ER00	EMU Corp	0.54	-0.33	0.54	0.79	5.26	0.86	111
EN40	EMU Corp BBB Non-Financial	0.61	-0.42	0.61	0.87	5.36	0.98	121
Governments (7-10 Yr Indices)								
G4O2	U.S. Treasuries 7-10 Yrs	1.12	0.03	1.12	2.06	7.54	2.21	
G4L0	UK Gilts 7-10 Yrs	0.39	0.09	0.39	1.90	7.32	0.84	
G4D0	German Fed Govt 7-10 Yrs	0.08	-1.13	0.08	-0.37	8.13	0.09	
Equities								
S&P	S&P 500 incl. Dividends	1.03	0.12	1.03	7.15			
DAX	DAX Index	1.02	4.04	1.02	8.34			
Loans								
CS Institutional Leveraged Loan Index		0.39	0.16	0.39	1.39		5.53%	381

Yield % Discount Margin
(3yr life) bps (3yr life)

Corporate Bond Spreads (STW) by Index

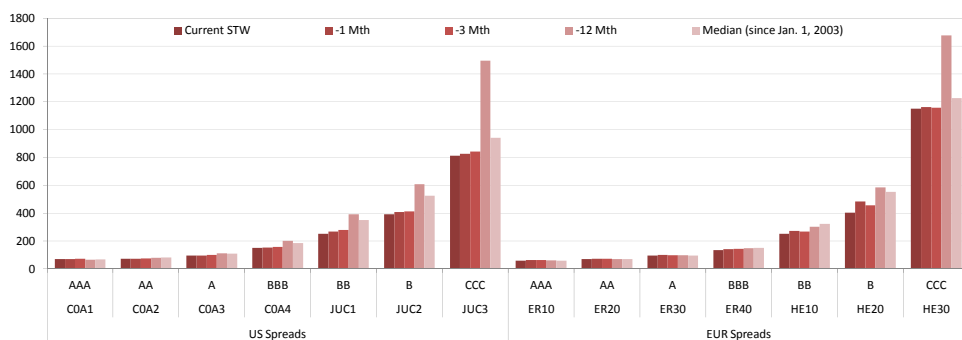


Corporate Bond Yields (YTW) by Index



Corporate Bond Spreads (STW) as of 2017-04-30

US/EM	Index	Rating	Current STW	-1 Mth	-3 Mth	-12 Mth	Median (since Jan. 1, 2003)
US Spreads	COA0	IG	120	120	124	147	141
	JUC0	HY Constrained	387	400	410	618	501
	JUC4	BB/B	314	329	338	486	437
	COA1	AAA	70	70	74	67	68
	COA2	AA	74	73	76	81	82
	COA3	A	97	97	100	113	110
	COA4	BBB	152	153	157	201	185
	JUC1	BB	253	269	280	392	351
	JUC2	B	392	408	414	609	526
	JUC3	CCC	812	827	842	1495	943
EM Spreads	EMCL	Emerging Markets	273	278	285	385	327
EUR							
EUR Spreads	ER00	IG	111	117	117	117	117
	HEC0	HY Constrained	330	360	355	450	445
	ER10	AAA	59	64	64	62	60
	ER20	AA	70	73	72	70	71
	ER30	A	96	100	99	98	96
	ER40	BBB	135	143	144	148	152
	HE10	BB	253	273	269	302	324
	HE20	B	405	485	457	585	554
	HE30	CCC	1151	1162	1157	1676	1227



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Credit Market Update*

US:

US fixed income returns were higher in April with high yield, US investment grade and longer dated US Treasuries all generating strong, positive returns. US corporate credit benefitted from solid technicals as well as a nice tailwind from the decline in rates. Supply was generally light in April given earnings season and the related corporate “quiet periods” in which companies are temporarily unable to access the capital markets. Earnings have generally been solid with few surprises, boosting investor sentiment. Moreover, we certainly noticed a sense of relief surrounding the outcome of the first round of the French election (Macron edging out Le Pen) as the outcome was largely predicted by polls. The Macron victory certainly provided comfort to investors that the hope for a united European Union remains alive. Going forward, we will look to the outcome of the second round of the French election on Sunday, May 7th. The market appears to be pricing in a Macron victory, so a Le Pen win would certainly be a surprise, potentially viewed negatively for the markets given implications for the European Union. In the US, investors are looking for greater political clarity, particularly surrounding legislative action and policy.

Europe:

European fixed income returns were positive for the month, led by high yield. European rates and investment grade corporates generated more modest returns. The rates market experienced two distinctly different halves of April as the first half was characterized by a strong rally in rates reflecting investors’ concerns over the outcome of the first round of the French election. Once the election results had been counted, rates sold off significantly in the second half of the month as investors became more confident that a market and reform friendly candidate (Macron) could win the French election. April marked the first month the European Central Bank (ECB) has started tapering its Quantitative Easing (QE) program from EUR 80 billion a month to EUR 60 billion. The ECB has not revealed if the tapering is focused on the public or corporate debt purchase program, but we might be able to identify a trend over the coming weeks as the ECB is publishing its weekly purchases. While European high yield and loan issuance was strong during April, investment grade new issuance slowed down during the month. This supply has been met with strong demand for short duration products, shortening the tenor of choice of corporate issuers coming to market.

Emerging Markets:

Emerging Market (EM) corporates generated strong positive returns on the back of positive technicals (inflows) and risk-on market sentiment. Investors felt a sense of relief at the outcome of the first round of the French presidential election. Other “positive” EM news included strong economic data from China and a rate cut in Brazil. High yield continues to outperform, while technology, media, telecom (TMT) has begun to outperform on a sector basis, having lagged both energy and metals/mining for most of the year. Asia underperformed the broader global EM market as a result of ample supply and concerns regarding North Korea. In Turkey, a referendum in favor of an Erdogan Executive Presidency was accepted with 51% of the votes. Interestingly, the market has reacted positively to this news given a tightening in Turkish sovereign spreads. However, the medium to longer term outlook is less certain.

Disclaimer

The following indices referenced in the snapshot are BofA Merrill Lynch indices. BofA Merrill Lynch data downloaded from Bloomberg: JUC0 – BofA ML U.S. High Yield, Cash Pay, Constrained Index; JUC1 – BofA ML U.S. High Yield, Cash Pay, BB Rated, Constrained Index; JUC2 – BofA ML U.S. High Yield, Cash Pay, B Rated Constrained Index; JUC3 – BofA ML U.S. High Yield, Cash Pay, CCC and Lower Constrained Index; JUC4 – BofA ML U.S. High Yield, Cash Pay, BB/B Rated Constrained Index; JUC5 – BofA ML U.S. Non-Financial, Cash Pay, High Yield Constrained Index; HEC0 – BofA ML Euro High Yield Constrained Index; HE10 – BofA ML Euro High Yield, BB Rated; HE20 – BofA ML Euro High Yield, B Rated; HE30 – BofA ML Euro High Yield, CCC and Lower Rated; HEC5 – BofA ML BB/B Euro Non-Financial High Yield Constrained Index; COA0 – BofA ML U.S. Corporate Master; COA1 – BofA ML U.S. Corporates, AAA Rated; COA2 – BofA ML U.S. Corporates, AA Rated; COA3 – BofA ML U.S. Corporates, A Rated; COA4 – BofA ML U.S. Corporates, BBB Rated; CANF – BofA ML BBB U.S. Corporate Non-Financial Index; ER00 – BofA ML EMU Corporate Index; ER10 – BofA ML EMU Corporates, AAA Rated; ER20 – BofA ML EMU Corporates, AA Rated; ER30 – BofA ML EMU Corporates, A Rated; ER40 – BofA ML EMU Corporates, BBB Rated; EN40 – BofA ML EMU Corporates, Non-Financial, BBB Rated; GA02 – BofA ML U.S. Treasuries, 7 – 10 Yrs; GA40 – BofA ML UK Gilts 7 – 10 Yrs; GA40 – BofA ML German Federal Governments, 7 – 10 Yrs.

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