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STAYING THE COURSE: US IG & HY UPDATE / 2024 PREVIEW

Staying the Course: US IG & HY Update/2024 Preview

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Executive Summary

- **We are sticking with our full overweight recommendations for both US IG and HY as we update our views through 1H24.** We expect our base case bumpy landing economic scenario to persist through the 1H24 with economic growth remaining in the 0-1% range and the Fed cutting rates back toward a more neutral stance beginning with the Jan 2024 meeting.
- **Our spread targets for 1H24 are 110 bp and 375 bp for US IG and HY, respectively, marking a gradual grind tighter from our affirmed YE23 spread targets of 120 bp and 400 bp.** We expect more cash to shift out of the very front end/cash equivalents as the Fed begins cutting rates in early 2024 and view credit as the more likely destination as it looks cheap to equities on a historical basis and offers notably attractive carry over the next twelve months.
- **Our stagflation scenario remains the most damaging for both US IG and HY credit.** We increased our probability of this scenario unfolding to 15% (from 10%) and expect spreads to ultimately widen out to 200 bp and 600 bp respectively at YE23. Through 1H24 we expect a gradual narrowing to 175 bp and 550 bp for IG and HY.
- **In our hard landing scenario, spreads widen out to 300 bp and 900 bp for IG and HY, but rapid rate cuts support the market through the first half of 2024 with spreads ultimately narrowing to 200 bp and 600 bp for IG and HY.** We maintained our 25% probability of a hard landing but note the upshift in the June 2023 FOMC dot plot to show 50 bp more tightening in 2023.

Despite recent positive momentum in markets, economic uncertainty remains a key risk, with consensus expectations putting the odds of a US recession in the next 12 months at 65%. We continue to highlight the need for specificity in the 'recession' narrative as the current challenges facing the global economy could result in either a true hard landing or stagflation for the US economy. These macroeconomic outcomes, despite both being consistent with a 'recession', would have very different implications for Fed policy, rates markets and corporate credit market performance. In November 2022, we presented our take on these recession scenarios in **Chair Powell & the Three Bears**, highlighting a bumpy landing as our base case economic and corporate credit market outcome. With this, we took a constructive view on credit spreads, setting our US IG and HY mid-year 2023 spread targets at 140 bp and 475 bp, respectively.

In mid-March 2023, we affirmed our constructive view for corporate credit at the height of the regional bank-driven volatility (see **Idiosyncratic vs. Systemic: Road Ahead for Credit**), highlighting that the liquidity challenges that had emerged were consistent with the idiosyncratic fallout of an extreme Fed policy tightening cycle rather than evidence that systemic risks would soon emerge.

Market Changes Since Removing "Tactical Caution"			
	3/16/2023	6/13/2023	Change
Terminal	4.92%	5.28%	36 bp
FF Dec 2023	4.22%	5.18%	96 bp
FF Dec 2024	3.03%	3.84%	81 bp
2y Treas	4.16%	4.67%	51 bp
5y Treas	3.74%	3.99%	25 bp
10y Treas	3.58%	3.81%	24 bp
Treas 2s10s	-58 bp	-85 bp	-27 bp
S&P 500	3,960	4,369	10.3%
US IG	161 bp	139 bp	-22 bp
US HY	493 bp	418 bp	-75 bp
3m10y vol	133	109	-17.7%
3m2y vol	217	152	-29.7%

Source: CreditSights, Bloomberg LP, FactSet, ICE Data Indices, LLC

In the three months following our removal of 'tactical caution' (**Central Bank Preview Feb '23: Tactical Caution**) and our recommendation that clients again take a full Overweight allocation to US IG and HY, risk assets have fared well despite further UST yield curve inversion. Since March 16, the 10Y UST yield has climbed 24 bp into our 2023 target range (3.75%-4.0%) while the S&P 500 has gained 10.3%. Corporate credit has also seen good momentum, with IG spreads tightening 22 bp on strength from As and BBBs and HY spreads tightening 75 bp with the CCC and distressed markets each posting compression of 100-300 bp. Total and excess return gains have been generally strong, though long-duration AAAs continued to face total return pressure from rising long-end rates.

US IG & HY: Performance Since Return to Full Overweight Recommendation							
	6/13/2023	3/16/2023	Change		6/13/2023	3/16/2023	Change
US IG OAS	139 bp	161 bp	-22 bp	US HY OAS	418 bp	493 bp	-75 bp
AAA	55 bp	69 bp	-14 bp	BB	272 bp	339 bp	-67 bp
AA	76 bp	90 bp	-14 bp	B	439 bp	514 bp	-75 bp
A	117 bp	138 bp	-21 bp	CCC	977 bp	1139 bp	-162 bp
BBB	171 bp	196 bp	-25 bp	Distressed	1528 bp	1903 bp	-375 bp
US IG YTW	5.59%	5.52%	7 bp	US HY YTW	8.55%	8.93%	-37 bp
AAA	4.71%	4.54%	17 bp	BB	7.05%	7.38%	-33 bp
AA	4.96%	4.81%	15 bp	B	8.81%	9.15%	-34 bp
A	5.39%	5.31%	8 bp	CCC	14.11%	15.38%	-126 bp
BBB	5.91%	5.85%	5 bp	Distressed	19.56%	22.92%	-337 bp
US IG YTD Total Return	2.35%	1.60%	75 bp	US HY YTD Total Return	5.18%	1.65%	352 bp
AAA	2.52%	2.60%	-9 bp	BB	3.95%	1.03%	292 bp
AA	2.16%	2.02%	15 bp	B	5.55%	1.91%	364 bp
A	2.10%	1.55%	55 bp	CCC	9.23%	3.47%	576 bp
BBB	2.58%	1.55%	103 bp	Distressed	10.69%	4.58%	610 bp
US IG YTD Excess Return	1.02%	-0.79%	181 bp	US HY YTD Excess Return	3.83%	-0.01%	384 bp
AAA	1.08%	-0.55%	163 bp	BB	2.61%	-0.73%	334 bp
AA	0.77%	-0.63%	140 bp	B	4.2%	0.32%	388 bp
A	0.82%	-0.79%	161 bp	CCC	7.9%	1.97%	593 bp
BBB	1.22%	-0.82%	204 bp	Distressed	9.33%	3.1%	623 bp

Source: CreditSights, FactSet, ICE Data Indices, LLC

Updated Views Through 1H24

Almost halfway into 2023 and on the back of the FOMC's June meeting, we continue to see a bumpy landing as the most likely outcome through the end of the year and into 2024; however, we are re-racking our probabilities slightly, decreasing our Bull case to 15% (from 25%), increasing the Base case to 45% (from 40%) and increasing the Bear 1: Stagflation to 15% (from 10%). Recent inflation data have shown some signs of progress; however, the goods disinflation of 4Q22 has slowed or reversed (**US Chart of the Day: May CPI Heatmap 2023**), leaving us somewhat more concerned about the future path of inflation.

US Credit Strategy IG/HY: Full Year 2023 Forecasts					Year-End 2023 Forecast			
	YE 2021	YE 2022	YTD 2023 as of 06/13		Base Case: Bumpy Landing	Bear 1: Stagflation	Bear 2: Hard Landing	
				Bull Case				
Probability Weighting				15%	45%	15%	25%	
US Treasury Yields								
Fed Funds Target (Upper)	0.1%	4.4%	5.3%	5.3%	5.3%	6.0%	2.5%	
5-Yr UST	1.3%	4.0%	4.0%	3.3%	4.0%	5.0%	2.8%	
10-Yr UST	1.5%	3.9%	3.8%	3.8%	4.0%	5.0%	2.3%	
US Investment Grade								
OAS	98bp	138bp	139bp	110bp	120bp	200bp	300bp	
Excess Return	1.5%	-1.4%	1%	3.8%	3.1%	-2.4%	-9.3%	
YTW	2.4%	5.5%	5.6%	5.2%	5.6%	7.4%	5.6%	
Total Return	-1.0%	-15.4%	2.3%	7.9%	5.5%	-6.9%	5.1%	
Gross Supply (\$bn)	1,561	1,241	669	1,200	1,050	800	1,000	
Net Supply (\$bn)	546	434	234	420	357	160	250	
US High Yield								
OAS	310bp	479bp	418bp	350bp	400bp	700bp	900bp	
YTW	4.3%	9.0%	8.6%	7.1%	8.4%	12.4%	12.1%	
Total Return	5.4%	-11.2%	5.2%	15.7%	10.6%	-5.7%	-4.7%	
Gross Supply (\$bn)	493	113	86	250	175	125	125	
Net Supply (\$bn)	247	62	28	113	79	25	31	
HY Defaults (TTM % Issuers)	1.2%	1.6%	2.2%	2.0%	3.0%	4.0%	7.5%	

Source: CreditSights, FactSet, ICE Data Indices, Bloomberg, L.P.

With the Fed's June meeting behind us, we are reaffirming our US IG and HY spread forecasts and providing a preliminary look at 1H24 (**US Recession Update: Still Waiting to Land**). In the forecast table below, we use the same four scenarios that we outlined for 2023 and push forward our expectations for Fed Funds, UST yields and corporate credit spreads.

US Credit Strategy IG/HY: Full Year 2023 Forecasts					1H 2024 Forecast			
	YE 2021	YE 2022	YTD 2023 as of 06/13		Base Case: Bumpy Landing	Bear 1: Stagflation	Bear 2: Hard Landing	
				Bull Case				
Probability Weighting				15%	45%	15%	25%	
US Treasury Yields								
Fed Funds Target (Upper)	0.1%	4.4%	5.3%	3.3%	4.3%	6.5%	2.0%	
5-Yr UST	1.3%	4.0%	4.0%	3.4%	3.5%	5.3%	2.5%	
10-Yr UST	1.5%	3.9%	3.8%	3.5%	3.5%	5.0%	2.8%	
US Investment Grade								
OAS	98bp	138bp	139bp	100bp	110bp	175bp	200bp	
Excess Return ¹	1.5%	-1.4%	1%	3.0%	2.5%	-2.4%	-9.0%	
YTW	2.4%	5.5%	5.6%	4.9%	5.0%	7.1%	5.1%	
Total Return ¹	-1.0%	-15.4%	2.3%	10.7%	10.0%	-4.7%	9.0%	
US High Yield								
OAS	310bp	479bp	418bp	325bp	375bp	550bp	600bp	
YTW	4.3%	9.0%	8.6%	7.0%	7.6%	11.1%	8.9%	
Total Return ¹	5.4%	-11.2%	5.2%	15.3%	12.7%	-1.5%	7.6%	
HY Defaults (TTM % Issuers)	1.2%	1.6%	1.9%	1.5%	4.0%	5.0%	7.5%	

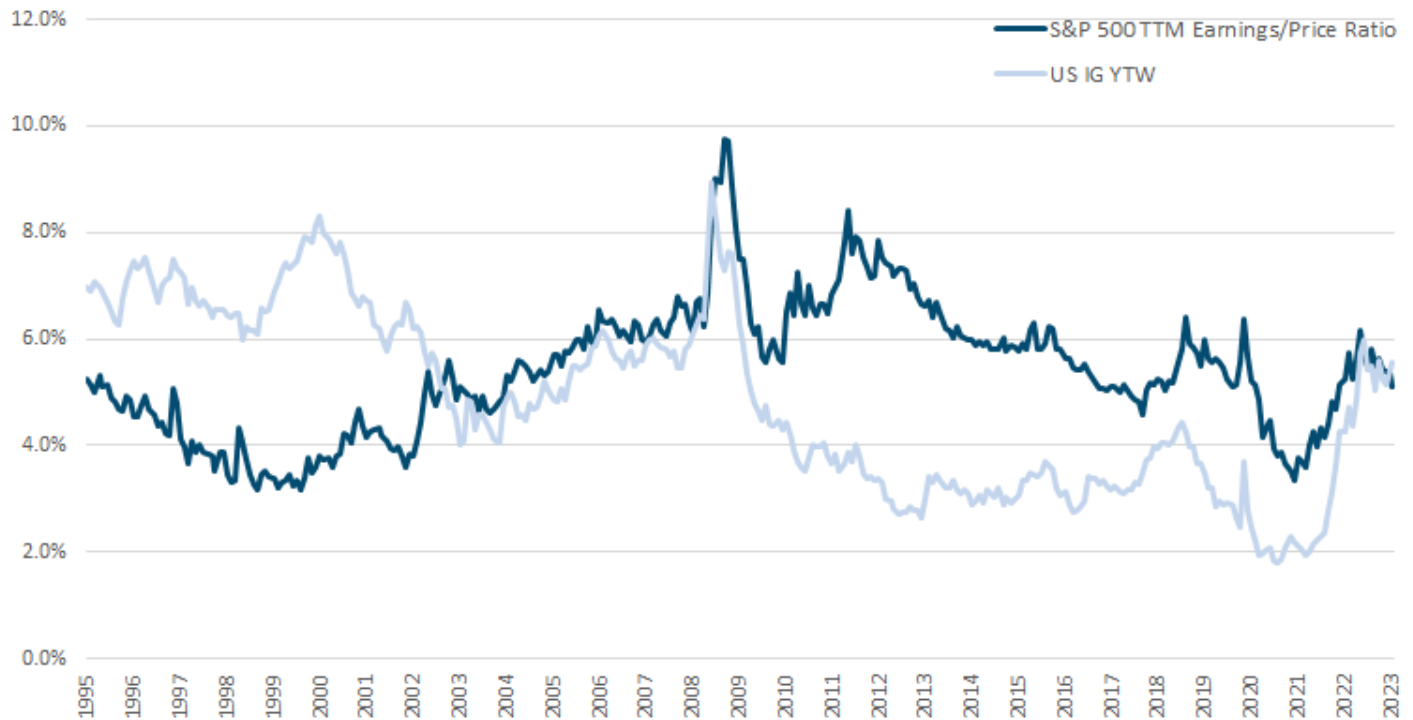
Source: CreditSights, FactSet, ICE Data Indices, Bloomberg, L.P.

¹Represents Excess and Total Return for the period beginning 06/13/2023 and ending 06/30/2024.

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Using forward 12-month returns for the period ending June 30, 2024, we remain constructive on the outlook for corporate credit, especially for total return focused investors. Probability weighted total returns remain solidly positive across US IG and HY, though excess returns are modestly negative. Given the current mix of macro and micro factors, we view corporate credit yields as very compelling, especially when compared to equities.

US IG YTW and S&P 500 Trailing Twelve Month Earnings/Price Ratio



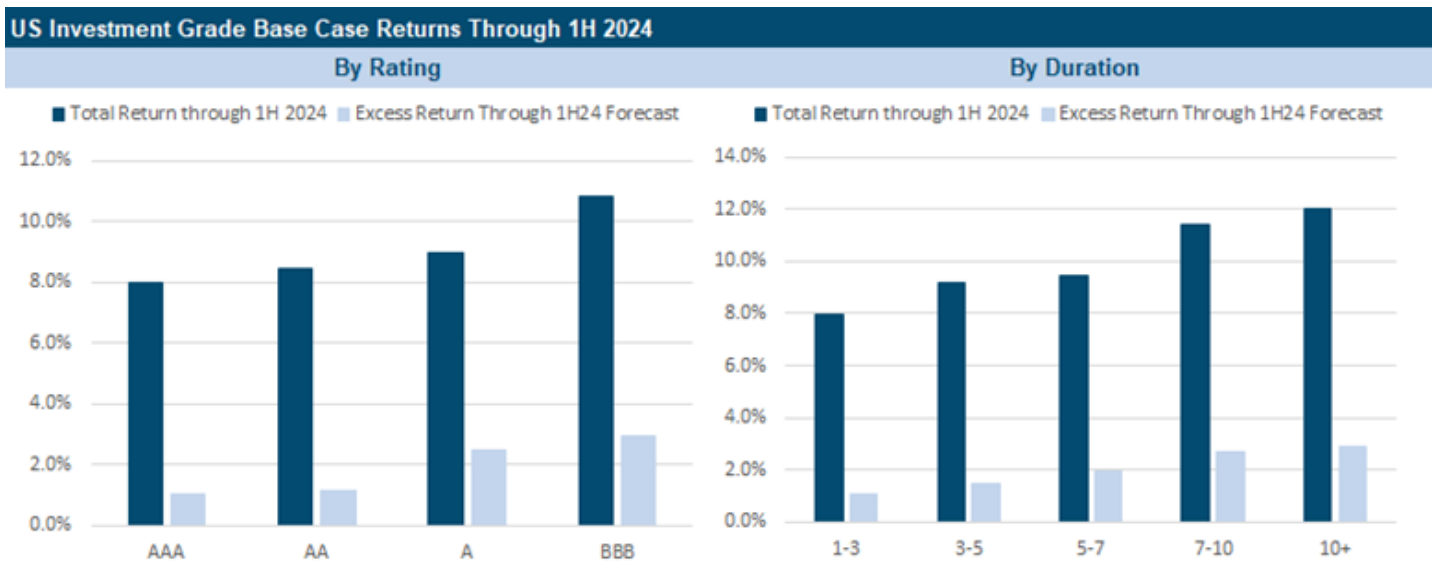
Source: CreditSights, FactSet, ICE Data Indices, LLC

Below we provide an update of our trade recommendations across US IG and HY in our different scenarios. The biggest change to our strategy is taking a more constructive view on duration in our Base Case scenario as we expect the 10Y UST yield to begin to reverse course and fall back toward 3.5-3.75% in 1H24 (from our YE2023 target range of 3.75%-4.0%).

US Corporate Credit: 1H 2024 Scenarios & Trade Recommendations				
	Bull Case	Base Case: Bumpy Landing	Bear 1: Stagflation	Bear 2: Hard Landing
Expectations/Probability	15%	45%	15%	25%
Ratings (Spread Curve)	Flatten	Flatten	Steepen	Steepen
Duration (Spread Curve)	Steepen	Steepen/Neutral	Neutral	Flatten/Invert
Duration (Yield Curve)	Bull Steepen	Bull Steepen	Bear Flattener/Invert	Bull Flattener/Invert
Risk Versus Duration				
Credit Risk	Overweight	Overweight	Neutral	Underweight
Duration	Overweight	Overweight	Underweight	Overweight
US Investment Grade				
Ratings	Overweight As & BBBs Neutral >=AA	Overweight As & BBBs Neutral >=AA	Overweight As Neutral >=AA Underweight BBB	Overweight >=AA Neutral As Underweight BBBs
Duration	Neutral Front-End & Intermediates Overweight Long-End	Neutral Front-End & Intermediates Overweight Long-End	Overweight Front-End Underweight Intermediates & Long-End	Overweight Long-End Neutral Intermediates Underweight Front-End
US High Yield				
Ratings	Overweight Bs & CCCs Neutral BBs	Overweight BBs & Bs Neutral CCCs	Overweight BBs Neutral Bs Underweight CCCs	Overweight BBs Underweight Bs & CCCs
Duration	Neutral Front-End & Intermediates Overweight Long-End	Neutral Front-End & Intermediates Overweight Long-End	Overweight Front-End Neutral Intermediates Underweight Long-End	Overweight Long-End Neutral Intermediates Underweight Front-End

Source: CreditSights

Below we provide model forward 12-month total and excess returns across US IG and HY ratings and duration segments. These forecasts are based on our base case outlook and factor in our corresponding UST yield curve shape and spread compression expectations for each segment.

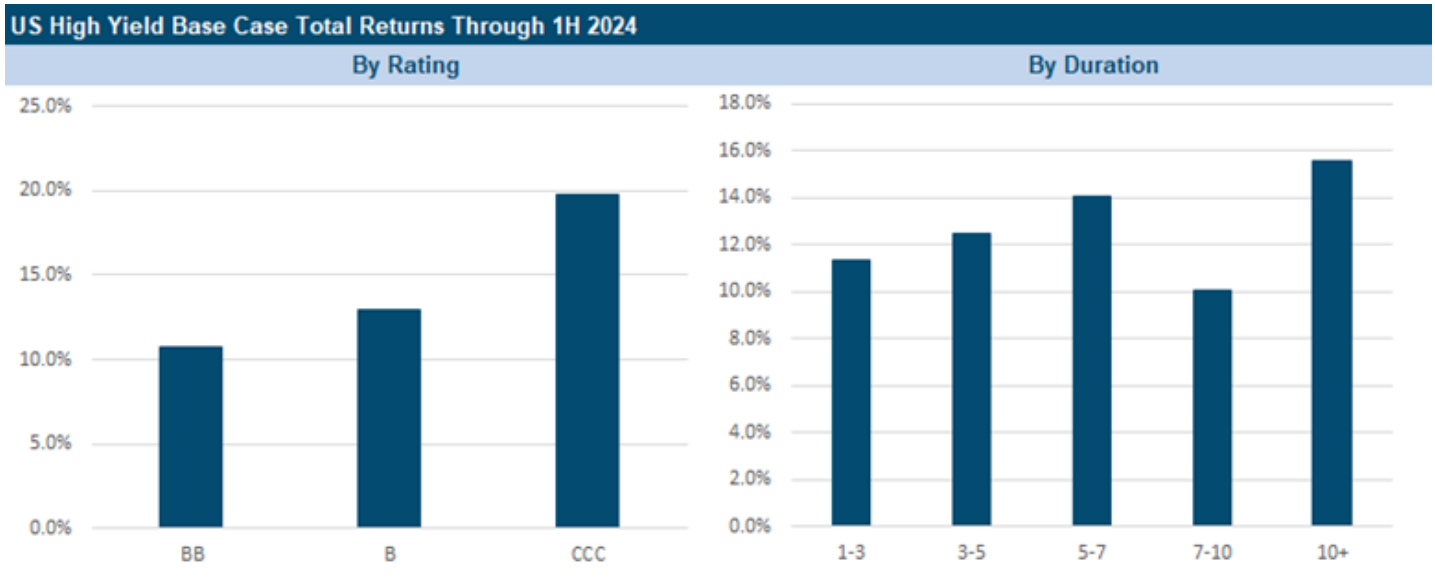


Source: CreditSights, FactSet & ICE Data Indices, LLC

Note: Represents Excess and Total Return for the period beginning 06/13/2023 and ending 06/30/2024.

In US IG, the long-end could prove a strong performer, with total returns approaching 12% over the next 12 months, building on the 3.4% YTD return gains in the long-end, but not quite enough to offset the dismal performance in 2022 (-25.5%).

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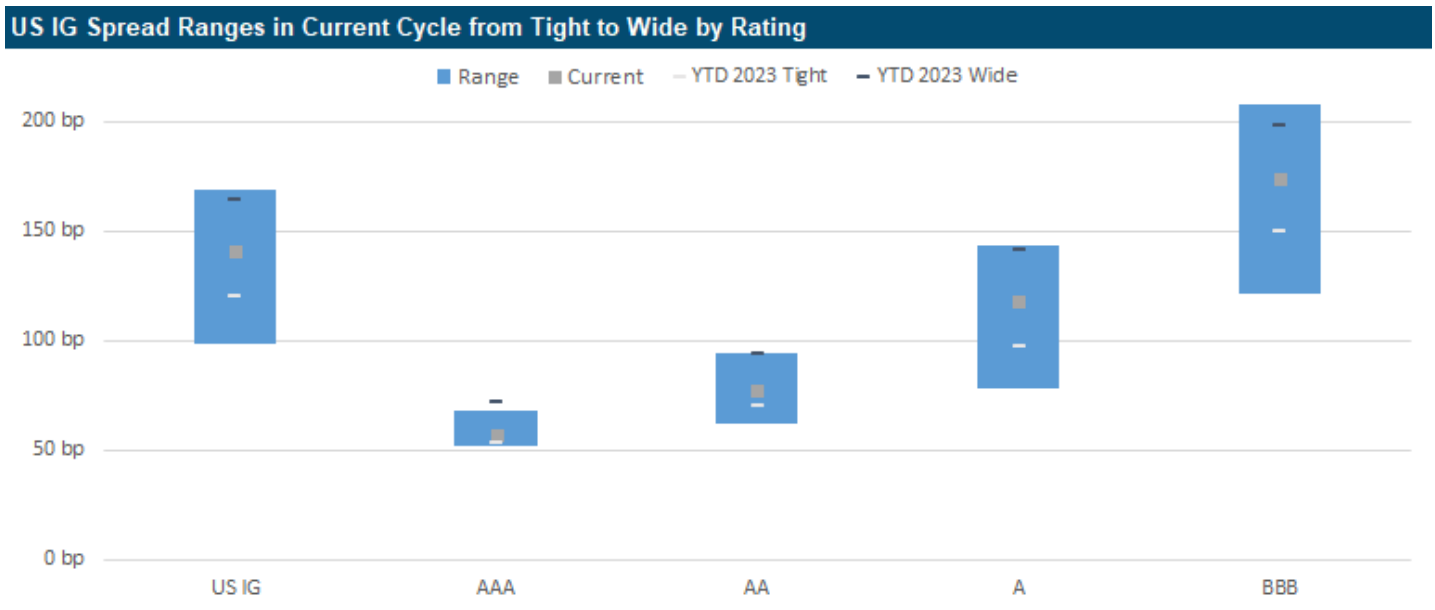


Source: CreditSights, FactSet & ICE Data Indices, LLC
 Note: Represents Excess and Total Return for the period beginning 06/12/2023 and ending 06/30/2024.

In our base case, CCC total return potential is close to 20%; however, we expect that defaults will continue to rise, toward 3.5%-4% by 1H24, creating a wide range of outcomes for lower rated issuers and highlighting the importance of credit selection in the current environment (**Special Situations: US Picks & Pans - June 2023**).

Below we provide an overview of US IG and HY spread ranges, both YTD 2023 and the current cycle, by rating and duration. These charts highlight market segments that are still trading meaningfully wide of early February 2023 levels, when IG and HY spreads initially reached our base case targets of 120 bp and 400 bp, respectively.

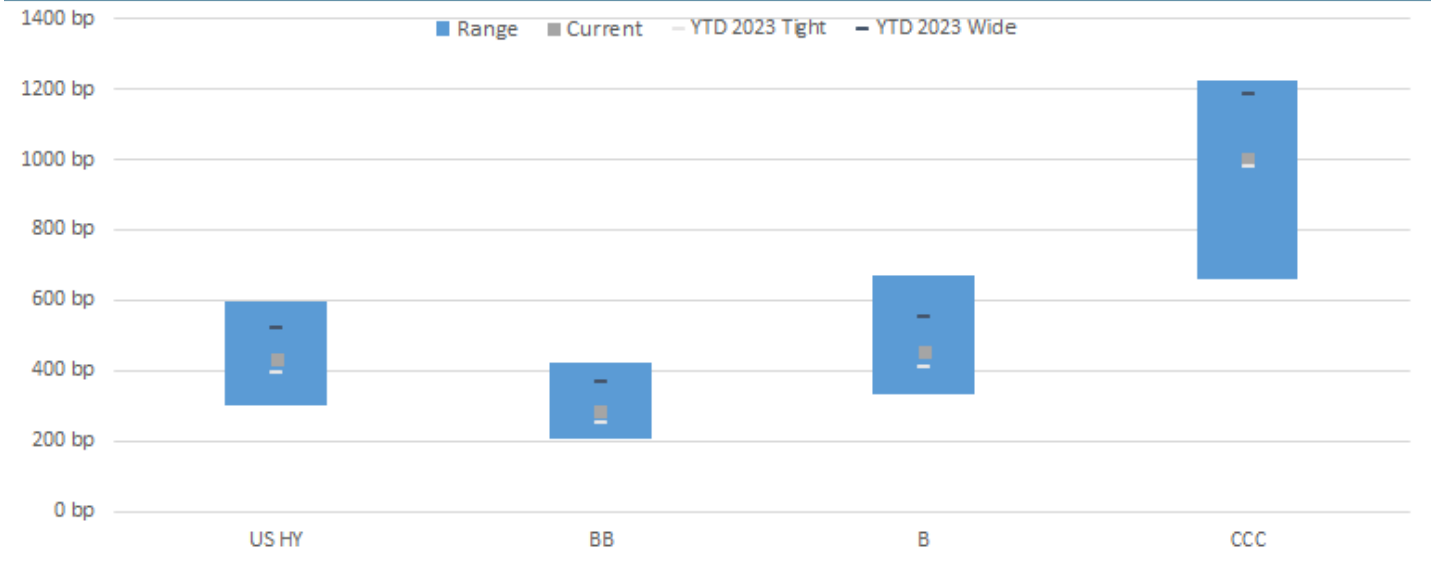
In aggregate, US IG valuations have recovered half of the spread widening in March amid the regional banking turmoil, with higher rated segments trading closer to YTD tight levels while A and BBB spreads have lagged.



Source: CreditSights, FactSet, ICE Data Indices, LLC

Across ratings, US HY is trading closer to the tight-end of the YTD range with CCCs spreads the widest relative to the 2021-present cyclical range. As defaults rise toward our YE 2023 and 1H24 forecasts of 3.0% and 4.0%, respectively, HY index spreads will tighten when bonds currently trading at very wide spreads default.

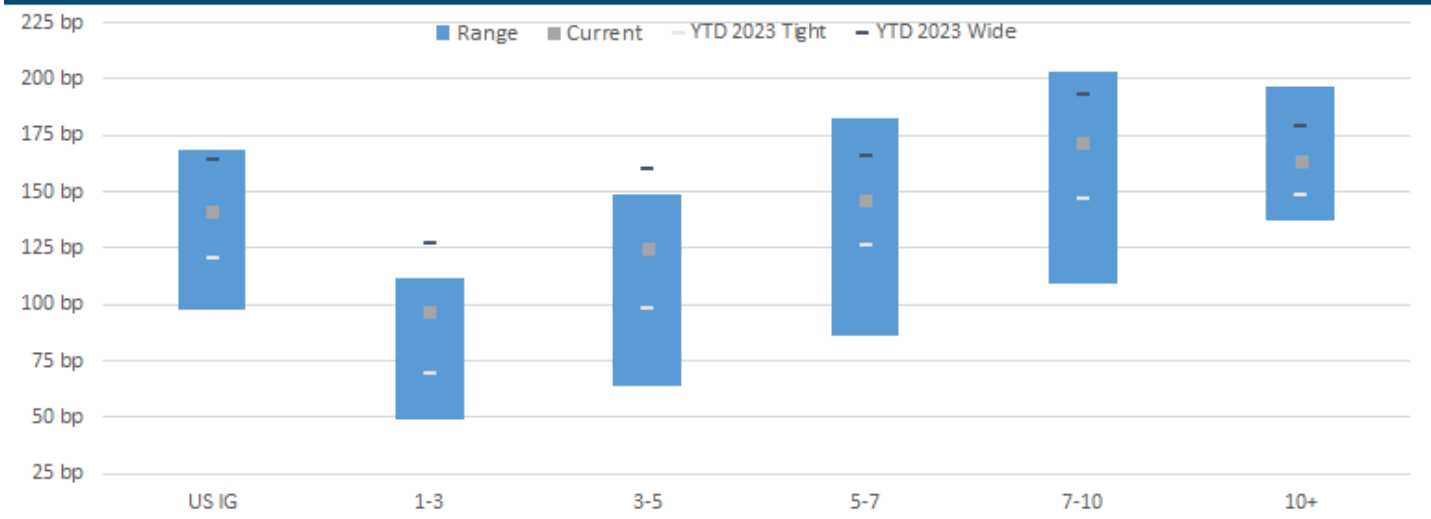
US HY Spread Ranges in Current Cycle from Tight to Wide by Rating



Source: CreditSights, FactSet, ICE Data Indices, LLC

In US IG, the front-end of the curve saw outsized spread widening amid the regional banking crisis, leaving front-end spreads wider than the peak from October 2022, when US IG index level OAS hit 171 bp. While we are becoming more constructive on duration in our base case scenario, outsized spread and a still flat/inverted US IG yield curve merits a barbell strategy with a focus on the front-end (1-3 years) and long-end (7+ years).

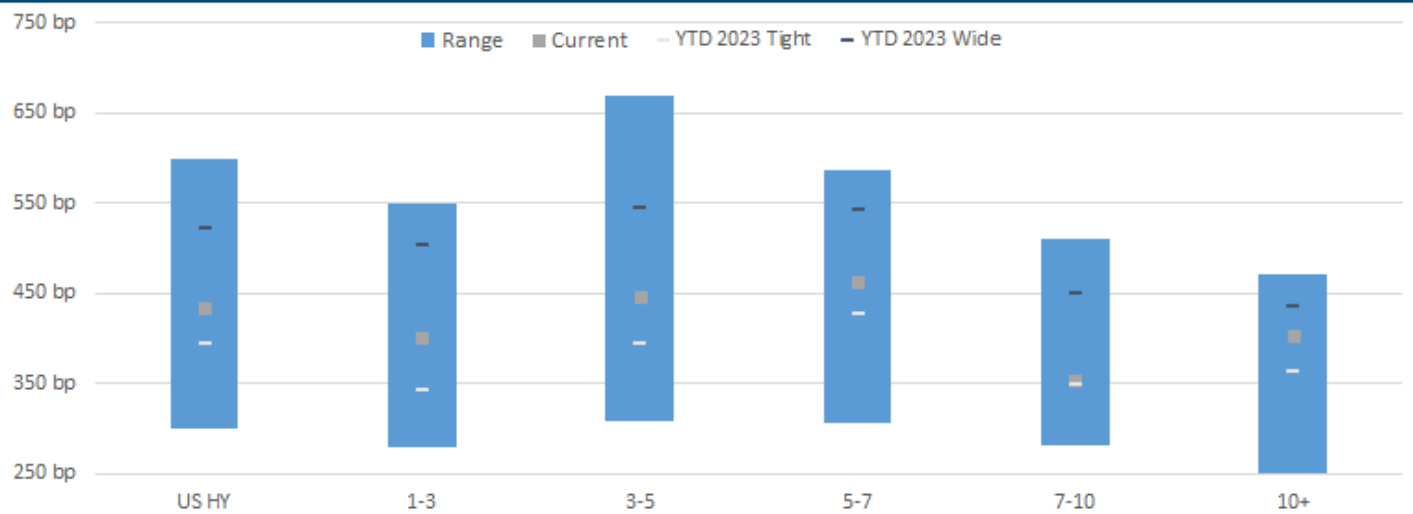
US IG Spread Ranges in Current Cycle from Tight to Wide by Rating



Source: CreditSights, FactSet, ICE Data Indices, LLC

In US HY, the spread curve across duration is influenced by rating composition as CCCs have the shortest duration (3.2 years) compared with BBs at 4.0 years and Bs at 3.4 years. Spreads in the front-end (1-5 years) have been slowest to tighten back to February 2023 levels while the 7-10 year segment is almost back to YTD tight.

US HY Spread Ranges in Current Cycle from Tight to Wide by Rating



Source: CreditSights, FactSet, ICE Data Indices, LLC

Broad Market Performance Post-SVB: Compared to Prior "Liquidity Events"

We updated our prior analysis examining how credit spreads/yields have performed post-SVB when compared to prior liquidity events. In the three months following March 10, the day of SVB's collapse, US IG spreads tightened 11 bp while yields rose 14 bp; this is comparable to historical liquidity-driven episodes, with 3-month median spread compression of 17 bp and yield increase of 14 bp.

US IG Spreads & Liquidity Events		IG OAS						IG OAS Change*				
Event	Event Date	1-Mo. Prior	1-Day After	1-Mo. After	3-Mo. After	6-Mo. After	12-Mo. After	Post Event	1-Mo. After	3-Mo. After	6-Mo. After	12-Mo. After
Black Monday	10/20/1987	144 bp	189 bp	168 bp	172 bp	129 bp	157 bp	46 bp	-21 bp	-17 bp	-60 bp	-32 bp
Mini Crash	10/13/1989	117 bp	126 bp	94 bp	95 bp	91 bp	134 bp	9 bp	-32 bp	-31 bp	-35 bp	8 bp
LTCM	9/23/1998	127 bp	127 bp	144 bp	124 bp	102 bp	124 bp	0 bp	17 bp	-3 bp	-25 bp	-3 bp
September 11	9/11/2001	153 bp	159 bp	184 bp	169 bp	172 bp	226 bp	6 bp	25 bp	10 bp	13 bp	67 bp
Bear Stearns	3/14/2008	245 bp	293 bp	255 bp	241 bp	330 bp	565 bp	48 bp	-38 bp	-52 bp	37 bp	272 bp
Lehman	9/15/2008	303 bp	396 bp	586 bp	618 bp	561 bp	224 bp	93 bp	190 bp	222 bp	165 bp	-172 bp
Commodity Crisis	2/11/2016	202 bp	220 bp	173 bp	157 bp	145 bp	127 bp	18 bp	-47 bp	-63 bp	-75 bp	-93 bp
2018 Policy "Mistake"	1/3/2019	159 bp	162 bp	132 bp	124 bp	119 bp	103 bp	3 bp	-30 bp	-38 bp	-43 bp	-59 bp
COVID	3/23/2020	131 bp	382 bp	218 bp	157 bp	137 bp	101 bp	251 bp	-164 bp	-225 bp	-245 bp	-281 bp
Russia/Ukraine	2/24/2022	110 bp	127 bp	120 bp	149 bp	142 bp	128 bp	17 bp	-7 bp	22 bp	15 bp	1 bp
SIVB Collapse	3/10/2023	125 bp	151 bp	138 bp	140 bp			26 bp	-13 bp	-11 bp		
Average Spread Change								47 bp	-11 bp	-17 bp	-25 bp	-29 bp
Median Spread Change								18 bp	-21 bp	-17 bp	-30 bp	-18 bp
Average Spread Change Ex-GFC								42 bp	-30 bp	-40 bp	-57 bp	-49 bp
Median Spread Change Ex-GFC								17 bp	-21 bp	-17 bp	-39 bp	-18 bp

Source: CreditSights, FactSet, ICE Data Indices, LLC

Note: Spread change reflects move from 1-month prior to 1-day after for Post-Event; reflects 1-, 3-, 6- and 12-month spread changes relative to post-event levels.

US IG YTW & Liquidity Events												
Event	Event Date	IG YTW						IG YTW Change*				
		1-Mo. Prior	1-Day After	1-Mo. After	3-Mo. After	6-Mo. After	12-Mo. After	Post Event	1-Mo. After	3-Mo. After	6-Mo. After	12-Mo. After
Black Monday	10/20/1987	10.60%	10.20%	10.14%	9.47%	9.70%	9.07%	-40 bp	-6 bp	-73 bp	-50 bp	-113 bp
Mini Crash	10/13/1989	9.50%	9.25%	9.31%	9.77%	10.23%	9.79%	-25 bp	6 bp	52 bp	98 bp	54 bp
LTCM	9/23/1998	6.48%	6.13%	6.45%	6.19%	6.49%	7.29%	-35 bp	-3 bp	7 bp	36 bp	116 bp
September 11	9/11/2001	6.18%	6.18%	5.97%	6.34%	6.54%	5.80%	0 bp	-21 bp	16 bp	36 bp	-37 bp
Bear Stearns	3/14/2008	5.46%	5.62%	5.97%	6.30%	6.56%	7.96%	17 bp	51 bp	68 bp	94 bp	234 bp
Lehman	9/15/2008	6.38%	6.96%	8.95%	8.11%	8.01%	4.91%	58 bp	257 bp	115 bp	105 bp	-205 bp
Commodity Crisis	2/11/2016	3.61%	3.67%	3.34%	3.04%	2.78%	3.34%	6 bp	-27 bp	-63 bp	-89 bp	-33 bp
2018 Policy "Mistake"	1/3/2019	4.25%	4.25%	3.97%	3.75%	3.25%	2.82%	0 bp	-29 bp	-50 bp	-100 bp	-143 bp
COVID	3/23/2020	2.47%	4.57%	2.81%	2.22%	1.97%	2.25%	210 bp	34 bp	-234 bp	-259 bp	-232 bp
Russia/Ukraine	2/24/2022	2.80%	3.23%	3.92%	4.24%	4.70%	5.59%	43 bp	112 bp	102 bp	148 bp	236 bp
SIVB Collapse	3/10/2023	5.05%	5.35%	5.21%	5.49%			30 bp	16 bp	14 bp		
Average Yield Change								24 bp	36 bp	-4 bp	2 bp	-12 bp
Median Yield Change								6 bp	6 bp	14 bp	36 bp	-35 bp
Average Yield Change Ex-GFC								21 bp	9 bp	-26 bp	-22 bp	-19 bp
Median Yield Change Ex-GFC								0 bp	-3 bp	7 bp	-7 bp	-35 bp

Source: CreditSights, FactSet, ICE Data Indices, LLC

Note: Yield change reflects move from 1-month prior to 1-day after for Post-Event; reflects 1-, 3-, 6- and 12-month yield changes relative to post-event levels.

The HY market has fared even better on a spread basis, posting 64 bp of compression, versus a historic median of 44 bp, while yields have fallen 33 bp; exactly in-line with the post-'liquidity event' median.

US HY Spreads & Liquidity Events												
Event	Event Date	HY OAS						HY OAS Change*				
		1-Mo. Prior	1-Day After	1-Mo. After	3-Mo. After	6-Mo. After	12-Mo. After	Post Event	1-Mo. After	3-Mo. After	6-Mo. After	12-Mo. After
Black Monday	10/20/1987	445 bp	617 bp	568 bp	573 bp	465 bp	492 bp	173 bp	-49 bp	-44 bp	-152 bp	-126 bp
Mini Crash	10/13/1989	663 bp	792 bp	823 bp	821 bp	850 bp	1267 bp	129 bp	31 bp	29 bp	58 bp	475 bp
LTCM	9/23/1998	520 bp	573 bp	609 bp	553 bp	517 bp	515 bp	53 bp	36 bp	-20 bp	-56 bp	-58 bp
September 11	9/11/2001	805 bp	822 bp	961 bp	820 bp	736 bp	961 bp	17 bp	139 bp	-2 bp	-86 bp	139 bp
Bear Stearns	3/14/2008	765 bp	859 bp	680 bp	639 bp	849 bp	1791 bp	94 bp	-179 bp	-220 bp	-10 bp	932 bp
Lehman	9/15/2008	822 bp	924 bp	1661 bp	2117 bp	1745 bp	810 bp	102 bp	737 bp	1193 bp	821 bp	-114 bp
Commodity Crisis	2/11/2016	774 bp	864 bp	693 bp	640 bp	534 bp	390 bp	90 bp	-171 bp	-224 bp	-330 bp	-474 bp
2018 Policy "Mistake"	1/3/2019	533 bp	505 bp	412 bp	390 bp	398 bp	361 bp	-28 bp	-93 bp	-115 bp	-107 bp	-144 bp
COVID	3/23/2020	504 bp	1055 bp	760 bp	602 bp	545 bp	357 bp	551 bp	-295 bp	-453 bp	-510 bp	-698 bp
Russia/Ukraine	2/24/2022	363 bp	362 bp	357 bp	474 bp	465 bp	428 bp	-1 bp	-5 bp	112 bp	103 bp	66 bp
SIVB Collapse	3/10/2023	430 bp	503 bp	448 bp	439 bp			73 bp	-55 bp	-64 bp		
Average Spread Change								114 bp	9 bp	17 bp	-27 bp	0 bp
Median Spread Change								90 bp	-49 bp	-44 bp	-71 bp	-86 bp
Average Spread Change Ex-GFC								117 bp	-51 bp	-87 bp	-135 bp	-102 bp
Median Spread Change Ex-GFC								73 bp	-49 bp	-44 bp	-97 bp	-92 bp

Source: CreditSights, FactSet, ICE Data Indices, LLC

Note: Spread change reflects move from 1-month prior to 1-day after for Post-Event; reflects 1-, 3-, 6- and 12-month spread changes relative to post-event levels.

US HY YTW & Liquidity Events												
Event	Event Date	HY YTW						HY YTW Change*				
		1-Mo. Prior	1-Day After	1-Mo. After	3-Mo. After	6-Mo. After	12-Mo. After	Post Event	1-Mo. After	3-Mo. After	6-Mo. After	12-Mo. After
Black Monday	10/20/1987	13.61%	14.48%	14.14%	13.48%	12.66%	12.00%	87 bp	-34 bp	-100 bp	-182 bp	-248 bp
Mini Crash	10/13/1989	14.96%	15.77%	15.96%	16.53%	17.50%	20.89%	81 bp	19 bp	76 bp	173 bp	512 bp
LTCM	9/23/1998	10.18%	10.29%	10.83%	10.29%	10.38%	10.91%	11 bp	54 bp	0 bp	9 bp	62 bp
September 11	9/11/2001	12.52%	12.62%	13.49%	12.65%	12.00%	13.01%	11 bp	86 bp	2 bp	-63 bp	38 bp
Bear Stearns	3/14/2008	10.47%	11.08%	10.06%	10.19%	11.56%	19.86%	61 bp	-102 bp	-90 bp	48 bp	878 bp
Lehman	9/15/2008	11.39%	12.03%	19.35%	22.54%	19.49%	10.37%	64 bp	732 bp	1051 bp	745 bp	-166 bp
Commodity Crisis	2/11/2016	9.16%	9.96%	8.41%	7.72%	6.54%	5.80%	80 bp	-155 bp	-225 bp	-343 bp	-416 bp
2018 Policy "Mistake"	1/3/2019	7.95%	7.65%	6.71%	6.39%	6.04%	5.34%	-30 bp	-93 bp	-126 bp	-161 bp	-231 bp
COVID	3/23/2020	6.20%	11.14%	8.04%	6.45%	5.80%	4.38%	494 bp	-310 bp	-469 bp	-534 bp	-676 bp
Russia/Ukraine	2/24/2022	5.31%	5.60%	6.46%	7.51%	8.01%	8.70%	29 bp	86 bp	192 bp	241 bp	310 bp
SIVB Collapse	3/10/2023	8.17%	8.95%	8.42%	8.62%			78 bp	-53 bp	-33 bp		
Average Yield Change								88 bp	21 bp	25 bp	-7 bp	6 bp
Median Yield Change								64 bp	-34 bp	-33 bp	-27 bp	-64 bp
Average Yield Change Ex-GFC								93 bp	-44 bp	-76 bp	-107 bp	-81 bp
Median Yield Change Ex-GFC								78 bp	-34 bp	-33 bp	-112 bp	-96 bp

Source: CreditSights, FactSet, ICE Data Indices, LLC

Note: Yield change reflects move from 1-month prior to 1-day after for Post-Event; reflects 1-, 3-, 6- and 12-month yield changes relative to post-event levels.

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