

Executive Summary

Both high yield (HY) bonds and leveraged loans suffered from a historic sell-off in March as the COVID-19 outbreak in the US negatively impacted broad swaths of the economy. Year-to-date (YTD) leveraged loan returns of -13.0% best those of HY bonds which have returned -14.3% so far.

High Yield Bond Summary & Performance

Source: JP Morgan

The HY bond asset class returned -12.64% in March as yields and spreads increased 316 bp and 365 bp, respectively, to end the month at 10.00% and 949 bp. This significant sell-off was driven primarily by COVID-19 related economic damage and was exacerbated by an oil supply glut that magnified the earnings damage felt by the energy sector. Given the sharp rise in spreads during the month, gross new issue activity was limited to five bonds pricing for a total of \$4.2b. This is well below the historical volumes of ~\$34b that March has averaged in the recent past. Of the \$4.2b priced, \$3.1b was used for general corporate purposes. YTD, refinancings remain the main driver of volume however by representing 74% of total issuance. Including distressed exchanges, the US HY bond default rate stands at 3.54%, up 104 bp month-over-month and 250 bp year-over-year.

Best Performing Industries MTD: <ul style="list-style-type: none"> • Utility (-3.66%) • Technology (-5.05%) • Paper & Packaging (-5.98%) 	Best Performing Industries YTD: <ul style="list-style-type: none"> • Utility (-5.02%) • Technology (-5.10%) • Healthcare (-6.12%)
Worst Performing Industries MTD: <ul style="list-style-type: none"> • Energy (-35.49%) • Gaming+Leisure (-17.58%) • Transportation (-16.61%) 	Worst Performing Industries YTD: <ul style="list-style-type: none"> • Energy (-41.82%) • Gaming+Leisure (-19.82%) • Transportation (-18.45%)
Performance by Ratings MTD: <ul style="list-style-type: none"> • BB-rated bonds (-10.02%) • B-rated bonds (-12.78%) • CCC-rated bonds (-16.36%) 	Performance by Ratings YTD: <ul style="list-style-type: none"> • BB-rated bonds (-11.29%) • B-rated bonds (-14.56%) • CCC-rated bonds (-17.22%)

Floating Rate Loan Summary & Performance

Source: JP Morgan

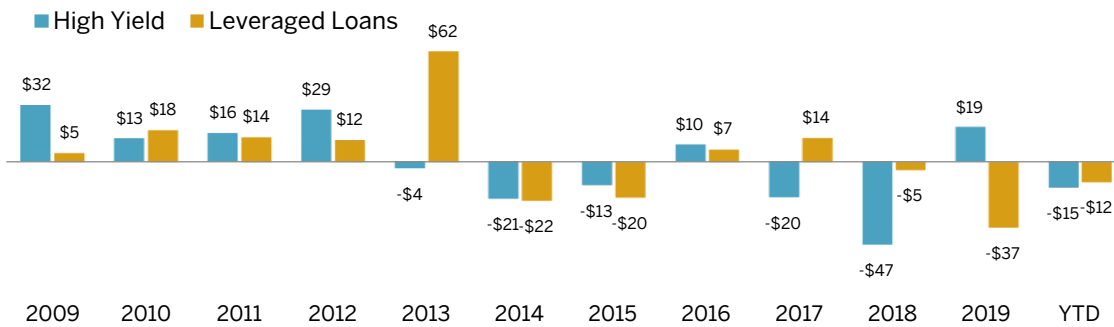
Leveraged loans returned -12.2% in March as COVID-19 related economic damage spread across numerous sectors in the US. New issue activity was a muted \$4.3bn given the sharp market declines during the month. This is well below typical March volumes of \$45b and is the lowest amount of issuance recorded since January 2010. Acquisition financing was the main driver of issuance for the month, but refinancing and repricing deals remain the main driver YTD by representing 77% of total issuance. Gross US CLO (collateralized loan obligation) volume of ~\$4b in March was substantially lower than February volumes as markets effectively shut down to new issuance by the middle of the month. Refinancing activity, at 58% of total issuance YTD, remains the largest driver of CLO volumes despite minimal March refinancings. Including distressed exchanges, the leveraged loan default rate stands at 2.21%.

Best Performing Industries MTD: <ul style="list-style-type: none"> • Cable & Satellite (-5.37%) • Telecom (-6.58%) • Paper & Packaging (-9.33%) 	Best Performing Industries YTD: <ul style="list-style-type: none"> • Cable & Satellite (-6.66%) • Telecom (-7.42%) • Paper & Packaging (-10.21%)
Worst Performing Industries MTD: <ul style="list-style-type: none"> • Energy (-31.19%) • Metals & Mining (-18.19%) • Retail (-17.41%) 	Worst Performing Industries YTD: <ul style="list-style-type: none"> • Energy (-33.34%) • Metals & Mining (-20.01%) • Retail (-19.01%)
Performance by Ratings MTD: <ul style="list-style-type: none"> • BB-rated loans (-9.04%) • B-rated loans (-13.26%) • Split B/CCC-rated loans (-25.69%) 	Performance by Ratings YTD: <ul style="list-style-type: none"> • BB-rated loans (-10.17%) • B-rated loans (-13.92%) • Split B/CCC-rated loans (-26.87%)

As of March 31, 2020	Performance		Characteristics				
	Month	YTD	Spread	YTD Change	Average Price	Yield to Worst	Yield to Maturity
10-Year US Treasuries	4.10%	12.09%	---	---	---	0.7%	0.7%
Bbg Barclays Aggregate Bond Index	-0.59%	3.15%	109 bp	+55 bp	\$108.20	1.6%	1.6%
JP Morgan BB-B Rated Loan Index	-10.80%	-12.00%	904 bp	+506 bp	\$85.55	9.5%	---
ICE BofA 1-3 Year BB-B Rated Index	-9.90%	-10.99%	1,049 bp	+790 bp	\$88.50	10.7%	10.8%
ICE BofA BB-B Rated Non-Distressed Index	-9.67%	-10.65%	704 bp	+438 bp	\$91.86	7.5%	7.6%
ICE BofA BB-B Rated Index	-10.71%	-11.93%	775 bp	+492 bp	\$89.36	8.2%	8.3%
ICE BofA High Yield Index	-11.77%	-13.13%	875 bp	+503 bp	\$85.79	9.2%	9.3%

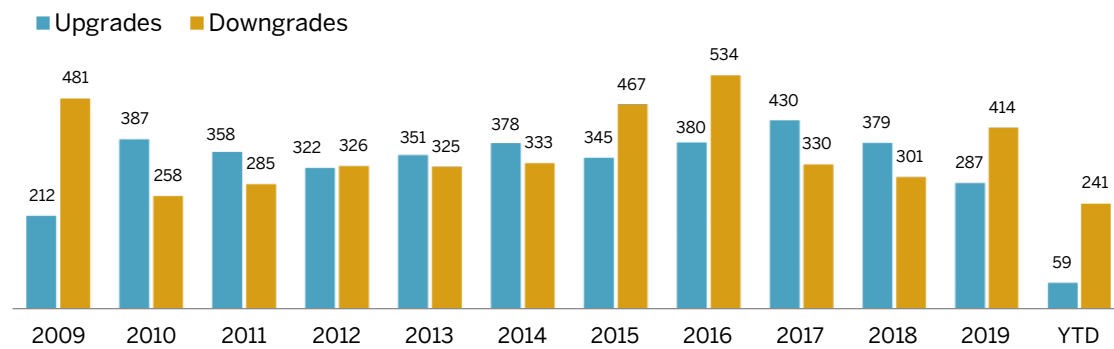
Mutual Fund Flows (\$Billion)

Source: JP Morgan



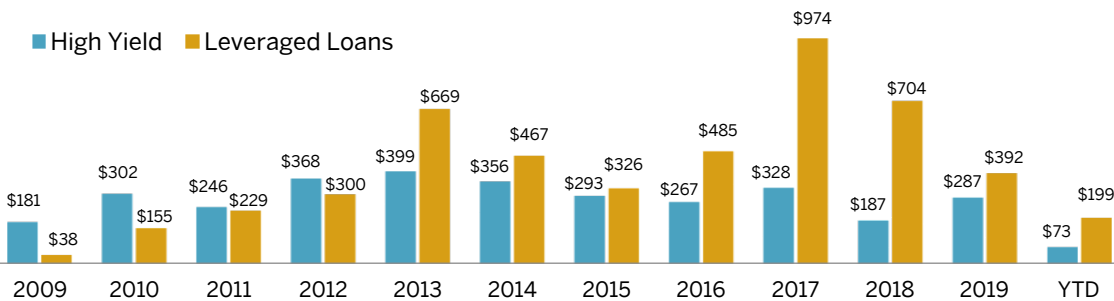
High Yield Upgrades/Downgrades (Issuer)

Source: JP Morgan



Gross New Issuance Volume (\$Billion)

Source: JP Morgan



Spreads / Default Rates

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	YTD
ICE BofA BB-B Rated Index	485 bp	612 bp	443 bp	344 bp	434 bp	558 bp	348 bp	297 bp	462 bp	283 bp	772 bp
ICE BofA BB Rated Index	399 bp	503 bp	357 bp	281 bp	336 bp	427 bp	286 bp	228 bp	365 bp	213 bp	644 bp
ICE BofA B Rated Index	573 bp	736 bp	524 bp	417 bp	549 bp	722 bp	432 bp	381 bp	578 bp	370 bp	955 bp
ICE BofA CCC Rated Index	874 bp	1,262 bp	943 bp	766 bp	976 bp	1,648 bp	977 bp	843 bp	1,102 bp	1,012 bp	1,771 bp
JPM HY Default Rate*	2.4%	2.2%	2.0%	2.1%	1.6%	2.8%	5.2%	2.5%	2.8%	3.2%	3.4%



PETER DUFFY, CFA
Deputy CIO – Credit,
Senior Portfolio Manager,
Senior Managing Partner



DAVID JACKSON, CFA
Senior Portfolio Manager,
Senior Partner

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