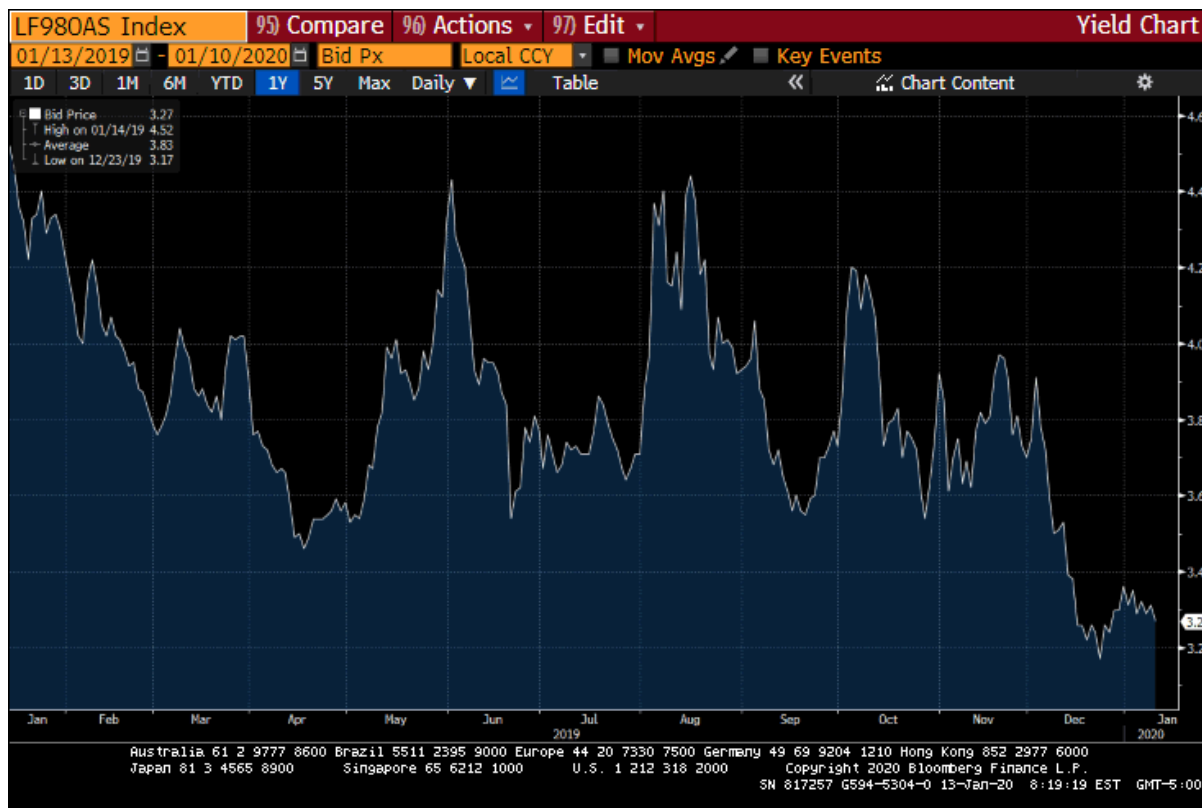




High Yield Spreads Tighten on Iran De-Escalation

- The high yield corporate market traded well last week despite a heavy new issue calendar and the resurgence of geopolitical concerns following the assassination of Iranian General Soleimani. Oil was (briefly) the main beneficiary of the news as WTI traded up from \$61 per barrel area to north of \$65 per barrel intraday on Wednesday before slumping back below \$60 per barrel by the end of that day when it became clear that both sides were looking for de-escalation.
- Overall, the high yield index tightened 7 basis points (bps) last week, led by 20 bps of tightening in the Energy sector. Similarly, the CCC-rated segment continued the run tighter that began in mid-December, tightening 18 bps last week. This was only partially due to tightening in Energy, as lower-rated names in Retail, Telecom and Healthcare also performed well.
- Relative strength in CCCs and modest widening in investment grade caused some compression between high yield and investment grade as the spread ratio moved from 3.6x at the end of last year to 3.45x today.

High Yield Corporate Spreads



Source: Bloomberg

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