Trade Related Concerns Push Corporate Spreads Wider

• Credit spreads continued to widen last week as trade-related concerns remained at the forefront and the Treasury rally weighed on credit. The mid-week announcement that China threatened to curb U.S. access to rare earth metals triggered further weakness in credit.

• To cap it off, we arrive Friday morning to an additional move lower in Treasuries following the late Thursday announcement that the U.S. will impose tariffs on Mexican goods beginning next month. These tariffs will rise steadily by as much as 25% by October 1 unless the Mexican government provides a solution to deter migrants from crossing the southern border of the U.S.

• Last week’s spread moves reflect the increasing trade tensions with autos +15-30, industrials +8-10 and Yankees +5-15 wider.

Corporate Spreads

Source: Bloomberg

Please note: The opinions contained in the preceding commentary reflect those of Sterling Capital Management LLC. The stated opinions are for general information only and not meant to be predictions or an offer of individual or personalized investment advice. They are not intended as an offer or solicitation with respect to the purchase or sale of any security. This information and these opinions are subject to change without notice. Any type of investing involves risk and there are no guarantees. Sterling Capital Management does not assume liability for any loss which may result from the reliance by any person upon such information or opinions.

Investment advisory services are available through Sterling Capital Management LLC, a separate subsidiary of BB&T Corporation. Sterling Capital Management LLC manages customized investment portfolios, provides asset allocation analysis and offers other investment-related services to affluent individuals and businesses. Securities and other investments held in investment management or investment advisory accounts at Sterling Capital Management LLC are not deposits or other obligations of BB&T Corporation, Branch Banking and Trust Company or any affiliate, are not guaranteed by Branch Banking and Trust Company or any other bank, are not insured by the FDIC or any other government agency, and are subject to investment risk, including possible loss of principal invested.