



IHS Markit™

US Credit Market Update: The calm after the storm

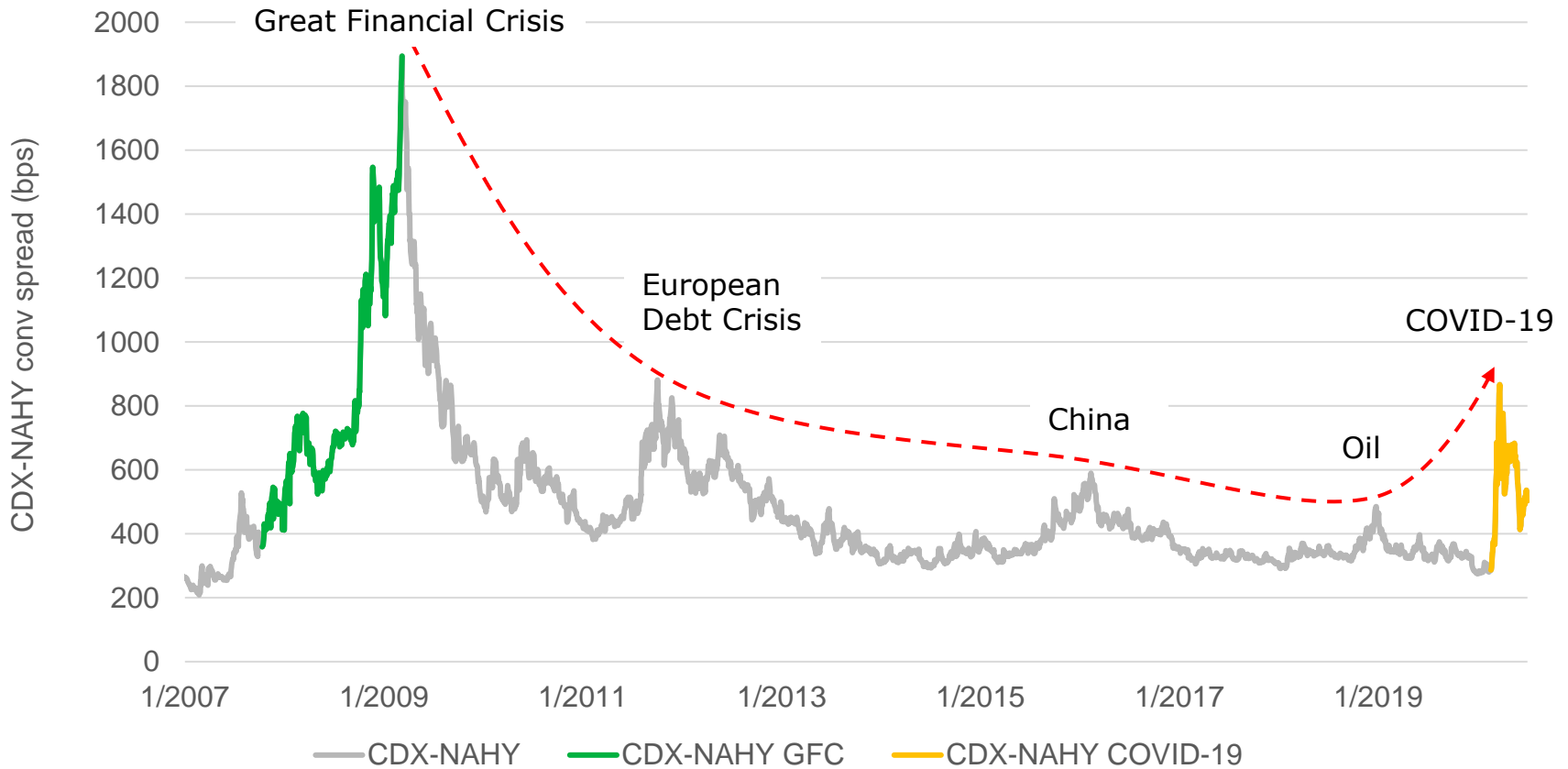
Chris Fenske

Head of Fixed Income Research, Americas

chris.fenske@ihsmarkit.com

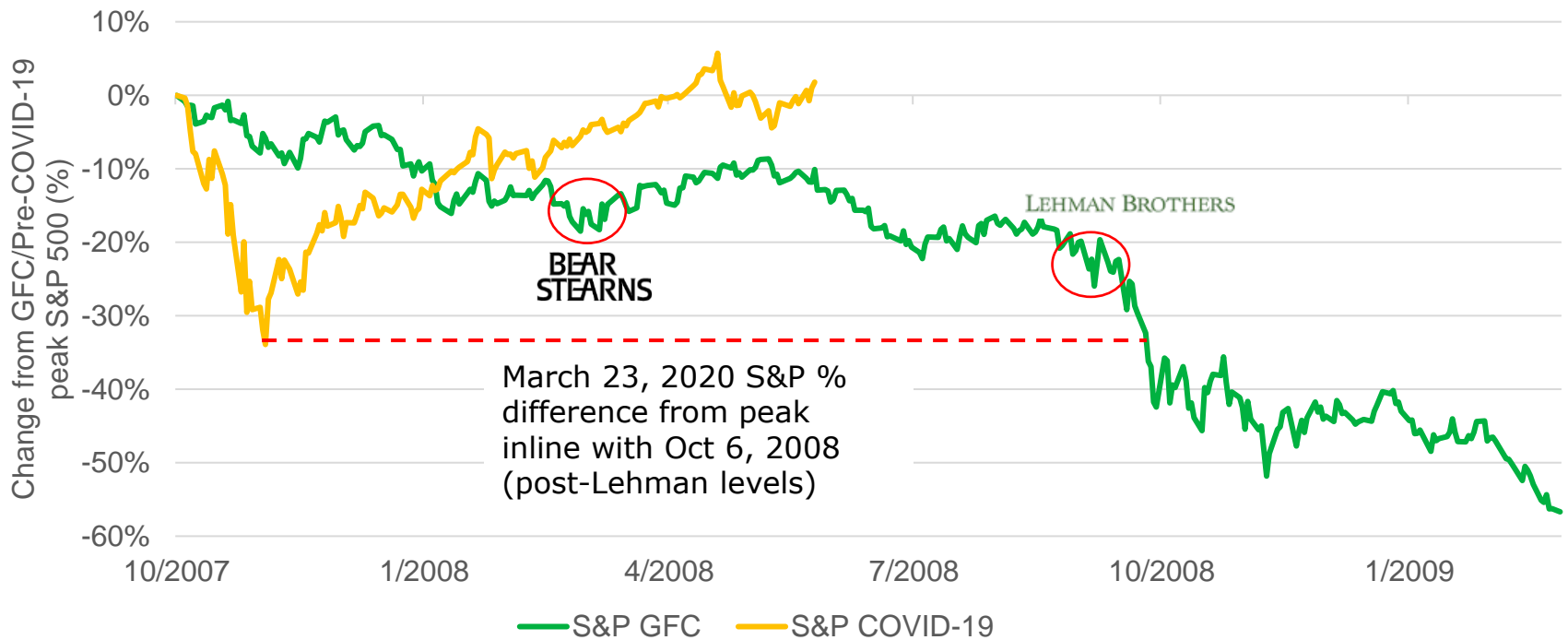
October 9, 2020

Each major disruption in the credit market post-GFC had been progressively less severe before COVID-19



Source: IHS Markit

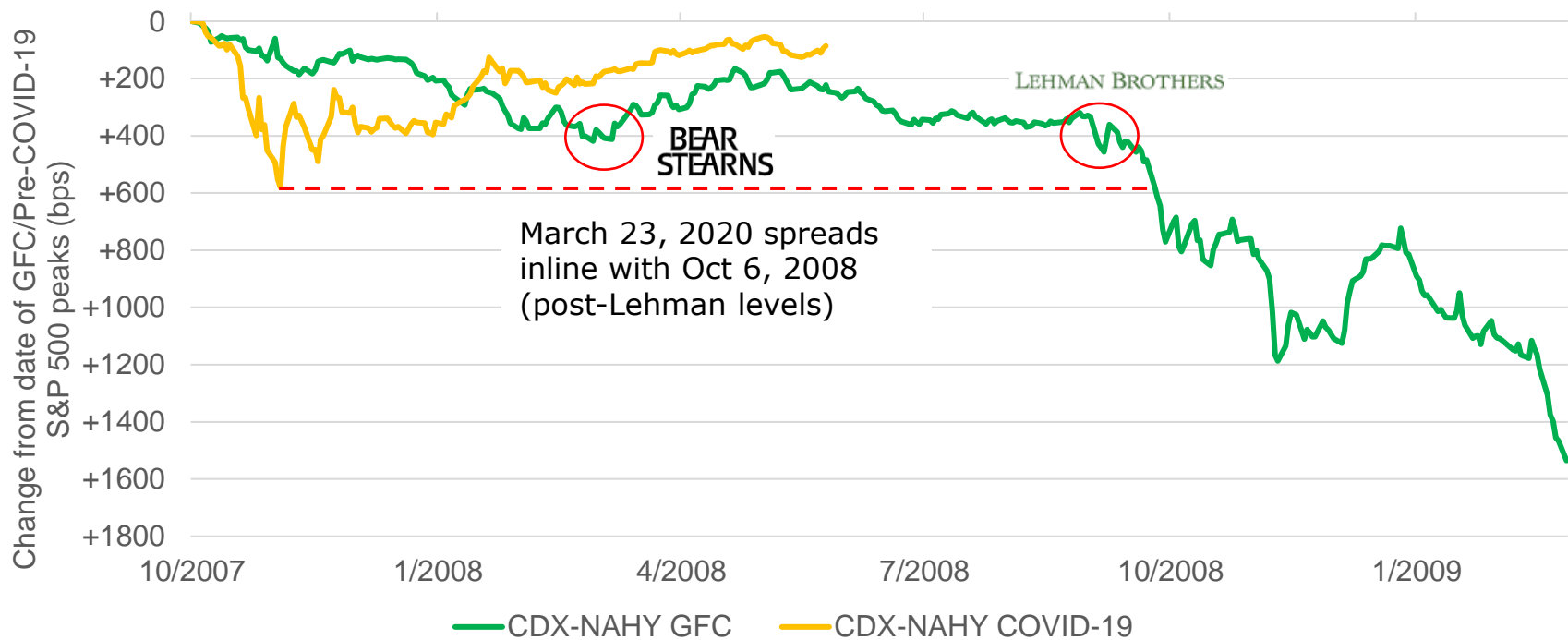
When aligning the 2007 and 2020 S&P peaks, we're at the equivalent of early-June 2008



Source: IHS Markit, S&P Indices

As of 10/8/20

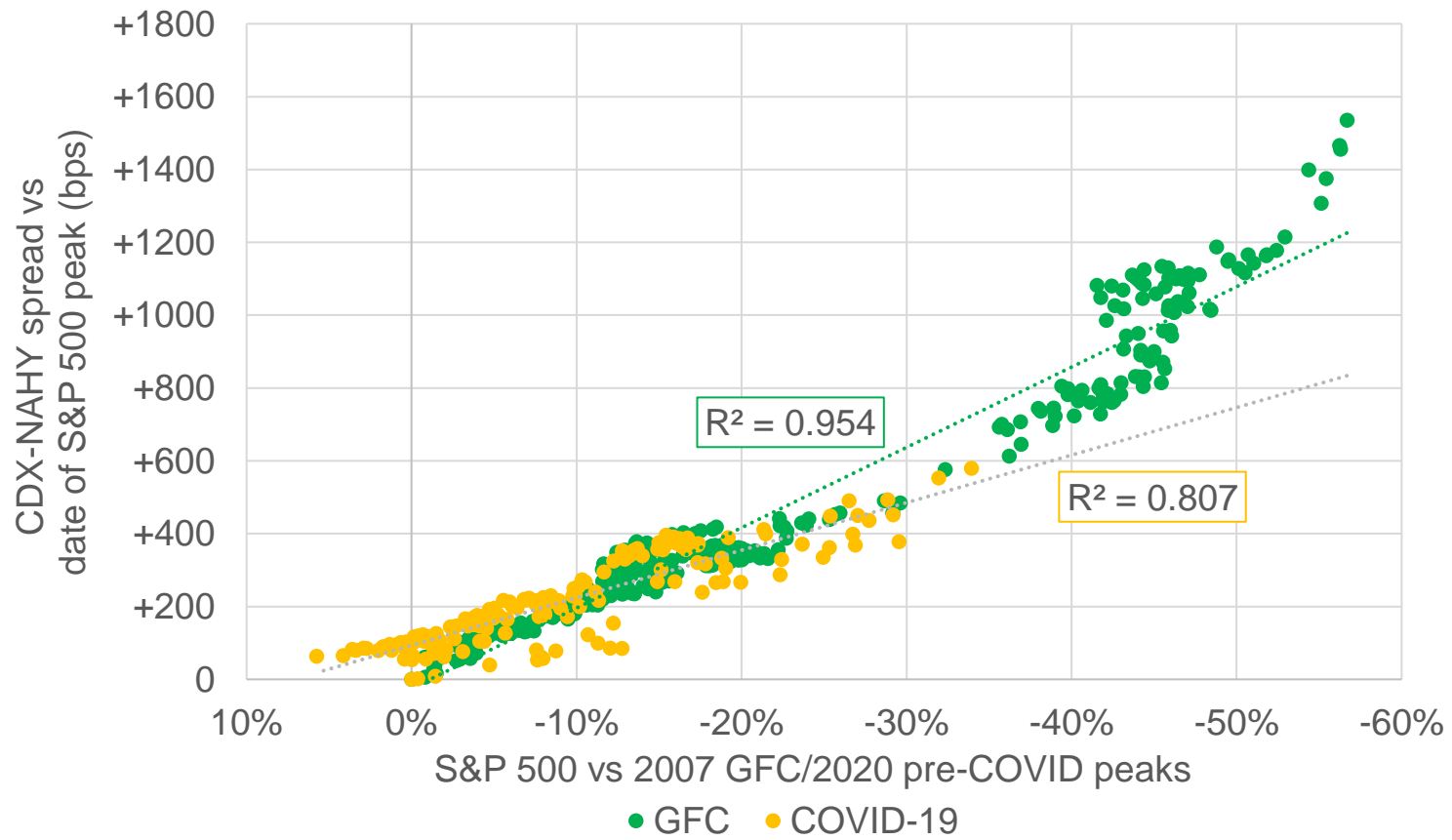
The 2020 S&P nadir also aligned to the same day in October 2008 as CDX-NAHY



Source: IHS Markit

As of 10/8/20

The intersection of CDX-NAHY and the S&P 500 during the GFC and COVID-19 pandemic

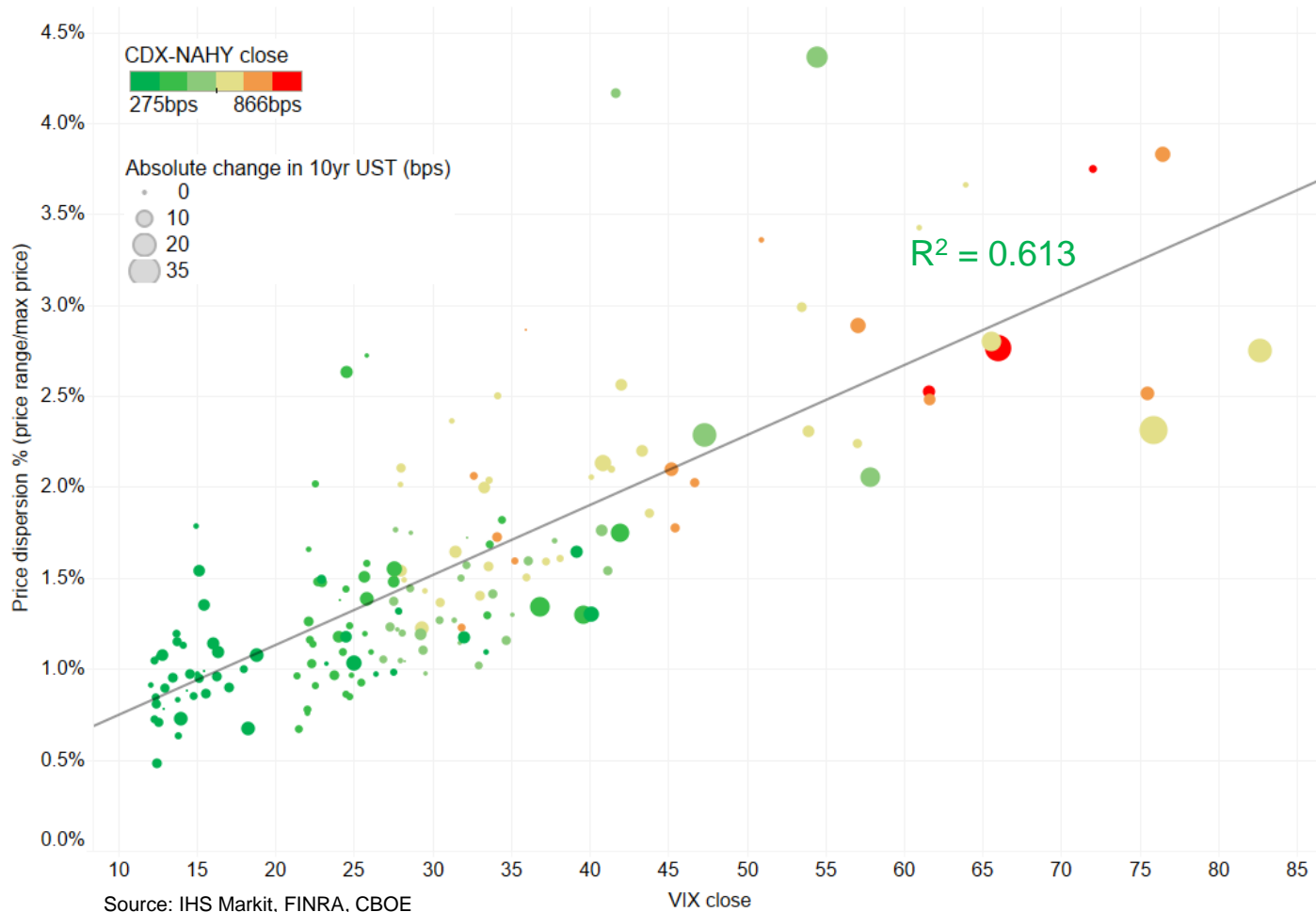


Source: IHS Markit, S&P Indices

As of 10/8/20

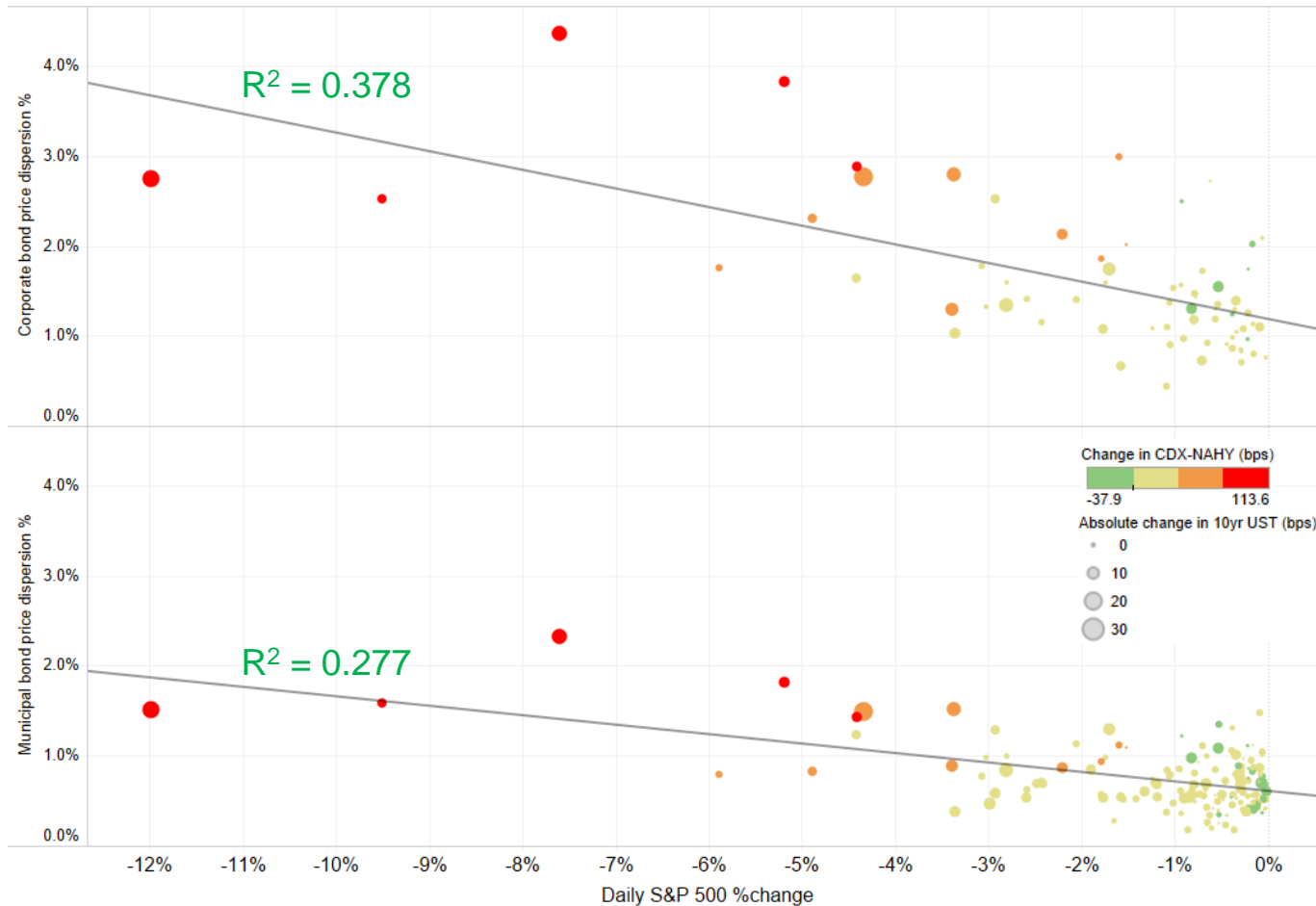
US corporate bond price dispersion is correlated with increases in US equity market volatility

Jan-Aug 2020 corporate bond daily average intraday \geq \$1MM trade price dispersion versus VIX



US corporate and municipal bond price dispersion increased on days with higher declines in the S&P 500

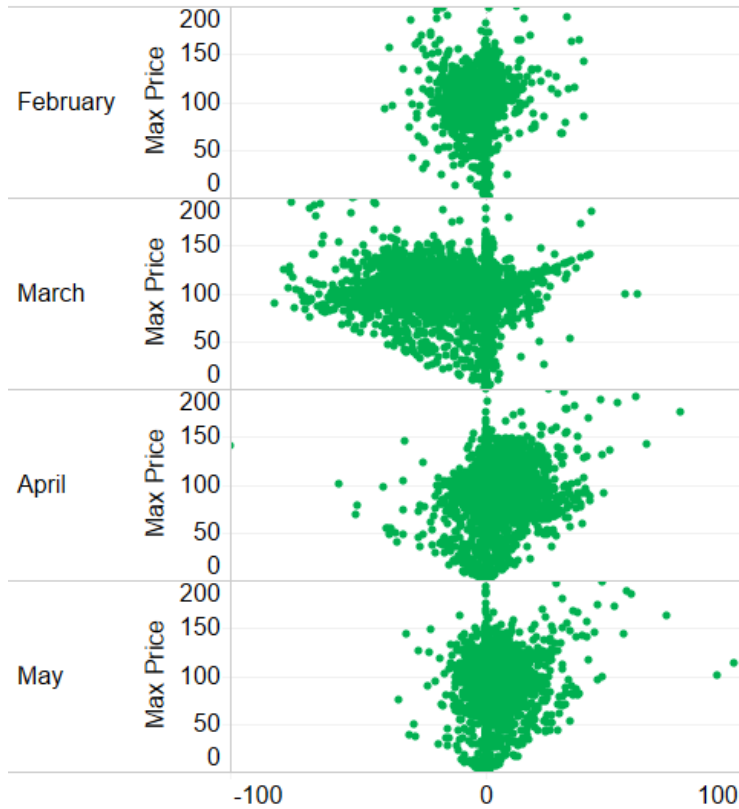
Jan-Aug 2020 daily average intraday \geq \$1MM trade price dispersion versus S&P 500 daily declines



Source: IHS Markit, MSRB, FINRA, S&P Dow Jones Indices

Monthly price dispersion and direction have improved significantly for corporate bonds and loans since March

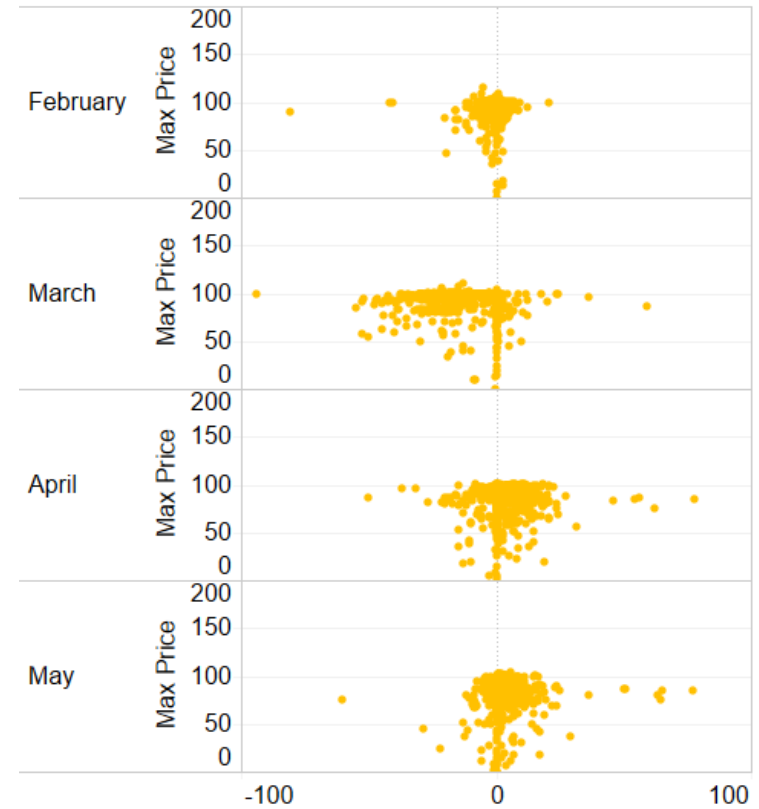
US Corporate Bonds ≥ \$1 million trades



Intramonth price change versus highest price

Source: IHS Markit, FINRA

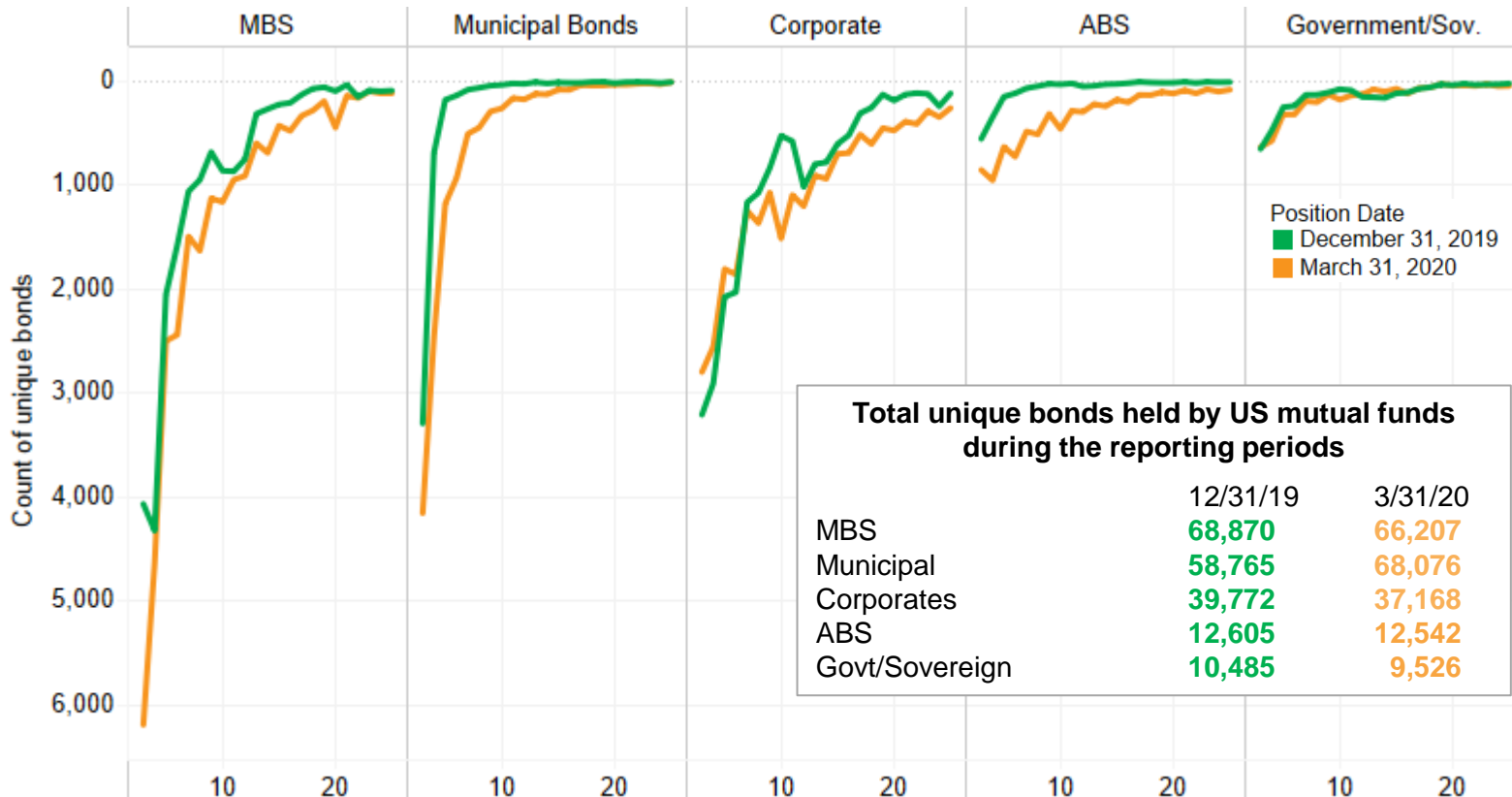
US leveraged loans ≥ \$1 million bidside quotes



Intramonth price change versus highest price

Source: IHS Markit

March's price volatility resulted in wider quarter-end price ranges on the same bonds across fund families

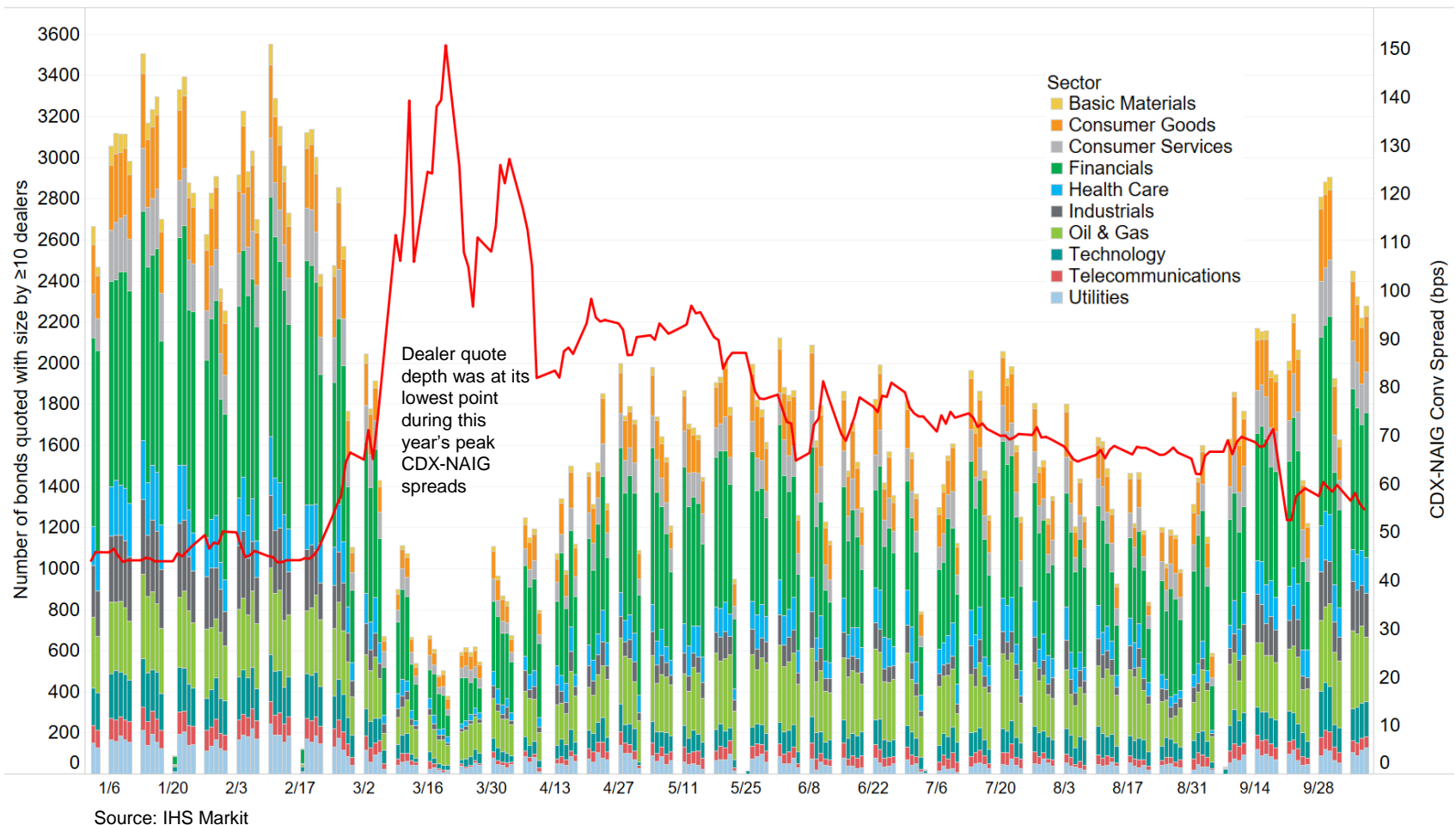


Mutual fund range (highest - lowest) of reported prices on individual bond holdings

Source: IHS Markit

Increases in dealer quote depth on US IG corporate bonds indicates improved liquidity in September

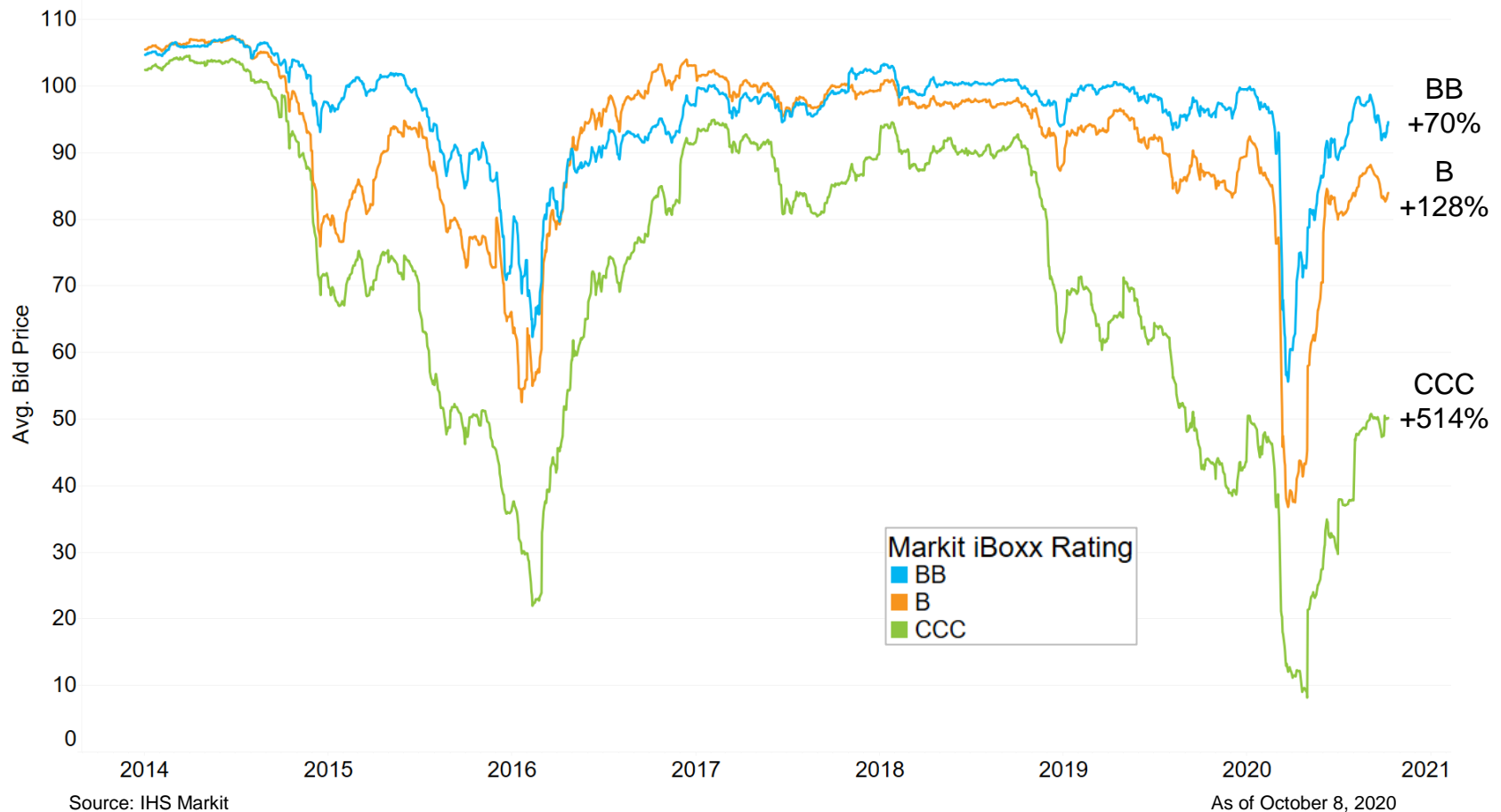
IHS Markit iBoxx USD Investment Grade Corporate Bond Index constituents quoted in size daily by 10 or more dealers



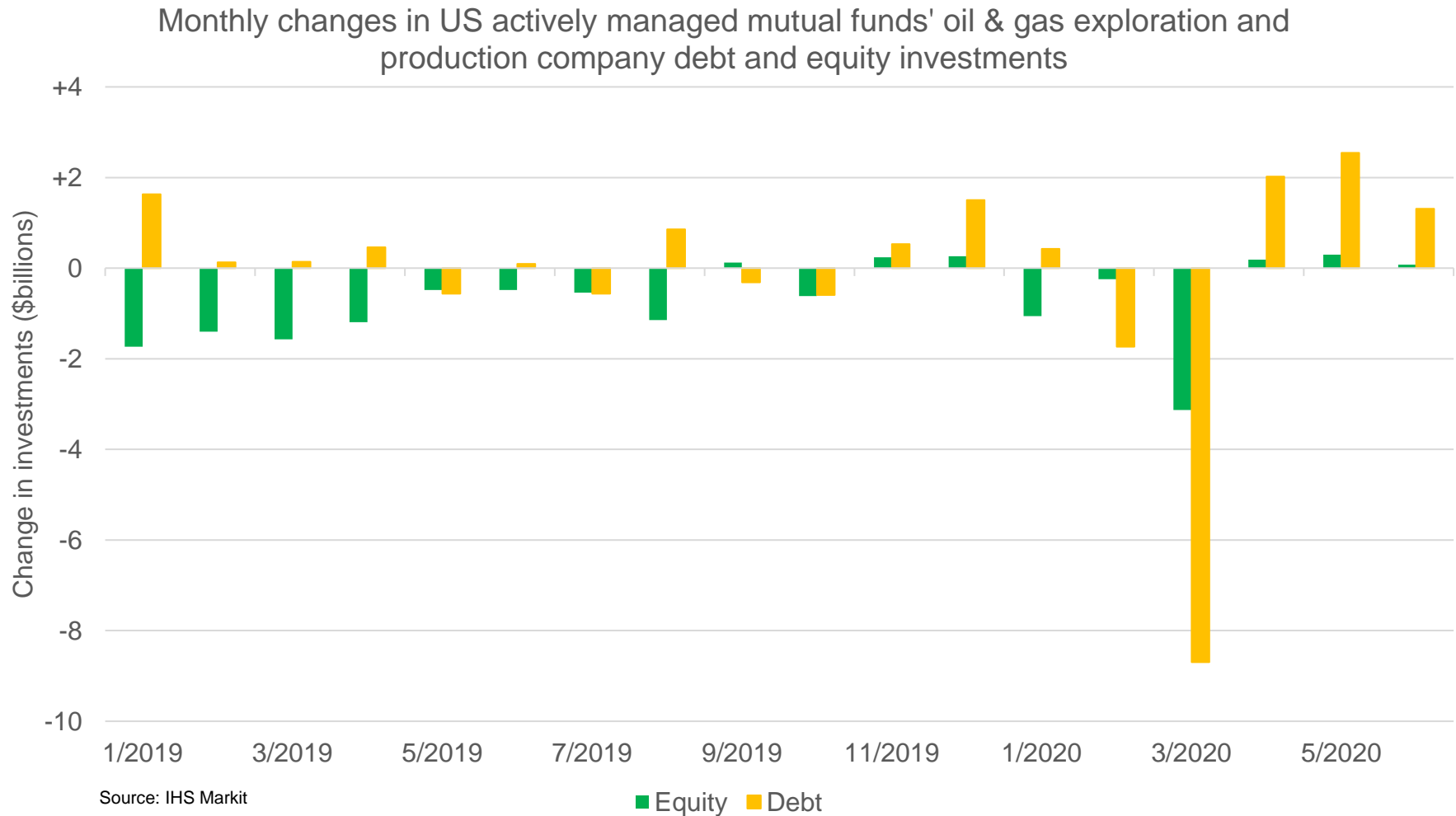
Source: IHS Markit

Oil and gas E&P debt prices have increased significantly from this year's lows

Oil and gas E&P constituents in the IHS Markit iBoxx USD High Yield Index

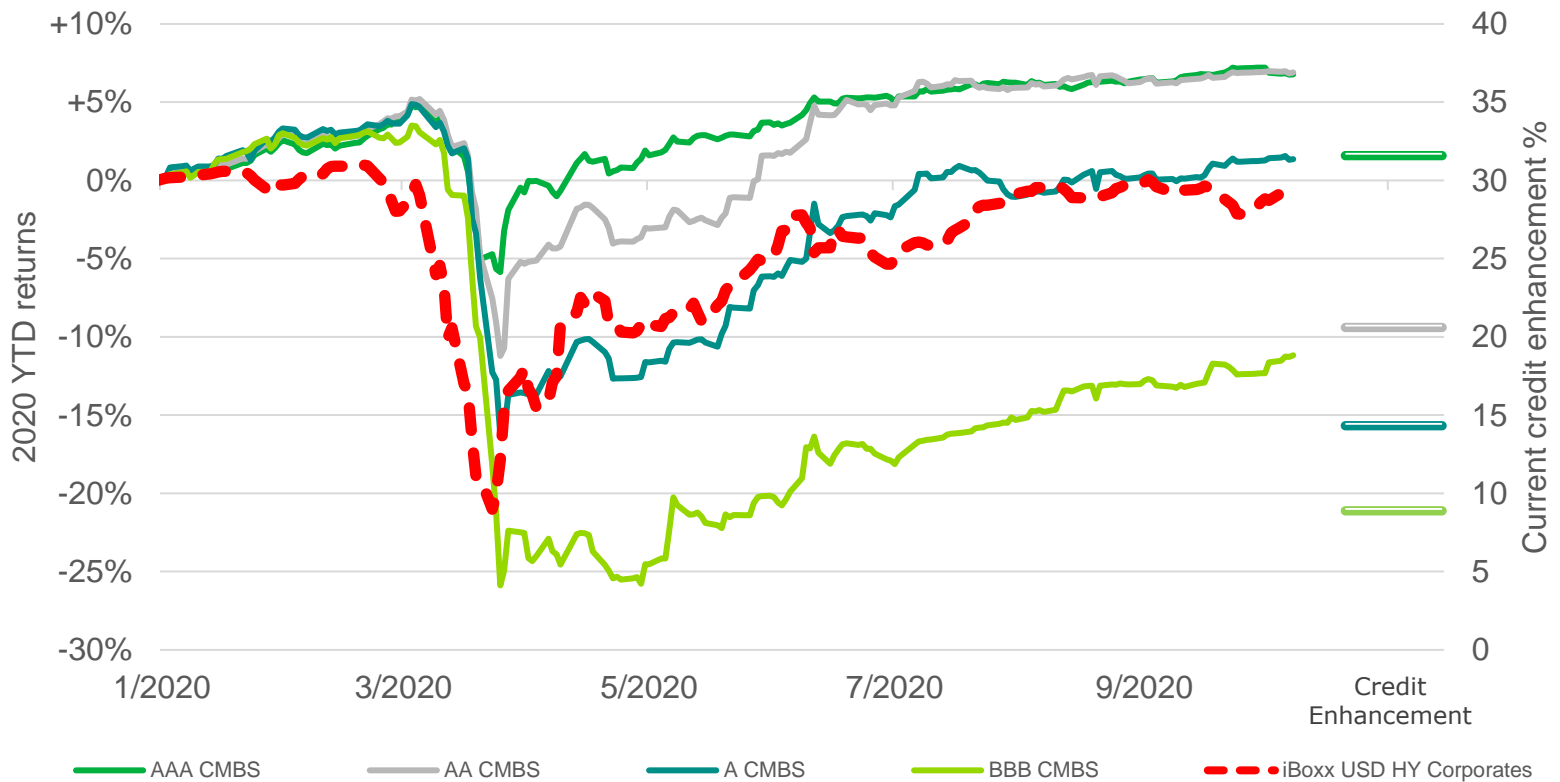


The rally is partially explained by US mutual funds being net buyers of E&P debt over equity post-March



BBB CMBS continue to come under pressure due to stress in hospitality and retail property sectors

Markit iBoxx Trepp CMBS Current Rating Indices



Source: IHS Markit

As of 10/8/20

Disclaimer

This document and its contents, including but not limited to any software, data, and processing technology described herein, (collectively the “Property”) are Copyright © 2020, IHS Markit and/or its affiliates (together “IHS Markit”) and constitute the proprietary and confidential information of IHS Markit. IHS Markit reserves all rights in and to the Property.

Any copying, reproduction, distribution, transmission or disclosure of the Property, in any form, is strictly prohibited without the prior written consent of IHS Markit. Opinions, statements, estimates and projections contained within the Property are solely those of the individual author(s) and there is no obligation on IHS Markit to update these. The Property and its composition and content are subject to change without notice.

The Property is provided on an “as is” basis. IHS Markit makes no warranty, express or implied, as to its accuracy, completeness, timeliness, or to any results to be obtained by recipient. IHS Markit shall not in any way be liable to any recipient for any inaccuracies, errors or omissions in the Property. Without limiting the generality of the foregoing, IHS Markit shall have no liability whatsoever to any recipient of the Property, whether in contract, in tort (including negligence), under warranty, under statute or otherwise, in respect of any loss or damage suffered by any recipient as a result of or in connection with such Property, or any course of action determined, by it or any third party, whether or not based on the Property.

Nothing in this document is intended to create any legal obligation on IHS Markit, and all Property and other information supplied in this document is supplied on the basis that it is subject to a full form written agreement being negotiated and executed with IHS Markit in respect of the subject matter herein.

The IHS Markit logo is a registered trademark of IHS Markit, and the trademarks of IHS Markit used within this document are protected by international laws. Any other names may be trademarks of their respective owners.

The inclusion of a link to an external website by IHS Markit should not be understood to be an endorsement of that website or the site's owners (or their products/services). IHS Markit is not responsible for either the content or output of external websites.

Disclaimer (continued)

The Information, as defined below, contained in this publication is provided by and is proprietary to IHS Markit Ltd. and its affiliates (collectively, "IHS Markit"), and the third-party information sources detailed in the publication. Opinions, statements, estimates, and projections in this publication are solely those of the individual author(s) at the time of writing and do not necessarily reflect the opinions of IHS Markit. Neither IHS Markit nor the author(s) has any obligation to update this publication in the event that any content, opinion, statement, estimate, or projection provided or presented (collectively, "Information") changes or subsequently becomes inaccurate. Unauthorised use, including but not limited to copying, re-distributing, transmitting or otherwise of any Information without IHS Markit's prior consent is strictly prohibited. IHS Markit makes no warranty, expressed or implied, as to the accuracy, completeness, or timeliness of any information in this publication, and shall not in any way be liable to any recipient for any inaccuracies or omissions. Without limiting the foregoing, IHS Markit shall have no liability whatsoever in connection with the Information, whether in contract, in tort (including negligence), under warranty, under statute or otherwise, in respect of any loss or damage (including without limitation any indirect or consequential damages) suffered by any recipient. IHS Markit provides a variety of services and products to various clients, including the issuers of securities or indices that IHS Markit may refer to in this report. IHS Markit receives compensation and fees in connection with these services and products. The Information, including analysis provided in this publication is of a general and impersonal nature. Such Information and analysis may be based, in whole or in part, on data derived from IHS Markit products that are offered for sale by IHS Markit. Data from third party sources may yield different results. IHS Markit makes no representations that the Information is appropriate for any investor or investment strategy. The provision of the Information does not establish a fiduciary relationship between IHS Markit and any recipient, and IHS Markit disclaims any fiduciary duties in that regard. The Information is not intended for use in, or for any particular recipient, investor or investment strategy and does not and shall not be construed as providing any investment advice or recommendations as to whether it is appropriate for any person or entity to "buy", "sell" or "hold" a particular investment. IHS Markit is not responsible for either the content or output of external websites, including any for which links are provided, and the inclusion of a link to an external website by IHS Markit should not be understood to be an endorsement of that website, the website's owners or their products/services. IHS Markit owns all IHS Markit trademarks and trade names contained in this presentation, and those of third parties contained herein are the property of such third parties. Copyright 2020, IHS Markit.

IHS Markit Customer Care

CustomerCare@ihsmarkit.com

Americas: +1 800 IHS CARE (+1 800 447 2273)

Europe, Middle East, and Africa: +44 (0) 1344 328 300

Asia and the Pacific Rim: +604 291 3600

Disclaimer

The information contained in this presentation is confidential. Any unauthorized use, disclosure, reproduction, or dissemination, in full or in part, in any media or by any means, without the prior written permission of IHS Markit or any of its affiliates ("IHS Markit") is strictly prohibited. IHS Markit owns all IHS Markit logos and trade names contained in this presentation that are subject to license. Opinions, statements, estimates, and projections in this presentation (including other media) are solely those of the individual author(s) at the time of writing and do not necessarily reflect the opinions of IHS Markit. Neither IHS Markit nor the author(s) has any obligation to update this presentation in the event that any content, opinion, statement, estimate, or projection (collectively, "information") changes or subsequently becomes inaccurate. IHS Markit makes no warranty, expressed or implied, as to the accuracy, completeness, or timeliness of any information in this presentation, and shall not in any way be liable to any recipient for any inaccuracies or omissions. Without limiting the foregoing, IHS Markit shall have no liability whatsoever to any recipient, whether in contract, in tort (including negligence), under warranty, under statute or otherwise, in respect of any loss or damage suffered by any recipient as a result of or in connection with any information provided, or any course of action determined, by it or any third party, whether or not based on any information provided. The inclusion of a link to an external website by IHS Markit should not be understood to be an endorsement of that website or the site's owners (or their products/services). IHS Markit is not responsible for either the content or output of external websites. Copyright © 2020, IHS Markit®. All rights reserved and all intellectual property rights are retained by IHS Markit.



IHS Markit®