

MIRABAUD - GLOBAL HIGH YIELD BONDS

Market News

The June Federal Open Market Committee meeting on Wednesday surprised the market as there was a move up in the “dot plot” - survey of members views on the expected path of interest rates. The majority of members now project 2 hikes in 2023 compared with 0 hikes at the time of the March forecast.

US Treasury markets sold off immediately following the release with the US 10 year +10bps, but by the end of the week this had largely re-traced as the narrative began to project that earlier tapering from the Fed would likely reduce the risk of runaway inflation, reducing the need for an aggressive Fed hiking cycle. The market remains very finely balanced between fear of inflation and comfort in the Fed.

High yield was remarkably stable through this treasury volatility, with the Global High Yield (HY) index only -10c and the most interest rate sensitive US BB Index -8c.

Flows/Company News/Activity

Investment Grade (IG) funds saw inflows of \$2bn; \$910m out of HY.

New issue volume remains high both in the US and Europe – we have been looking at UK re-opening trades coming to the market in the pub and gym sectors.

Derivatives

US Treasuries futures hedge -11%.

Outlook

US Treasury volatility remains the driving force in markets, and while that remains we expect high coupon carry bonds to outperform.

Source: Mirabaud Asset Management. Mirabaud - Global High Yield Bonds,

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