

2023 Q4 High Yield & General Market Overview

Overview of the Market

<u>Asset Class Returns</u>		<u>Bond Rating Returns</u>		<u>ICE BAML High Yield Index</u>		
Asset Class	Q4 2023 Performance	Rating	Q4 2023 Performance	Statistic	12/31/2023	Quarter on Quarter Change
S&P 500	11.68%	BB	7.34%	Yield to Worst	7.69%	-125 bps
High Yield Bonds	7.06%	B	6.78%	Option Adjusted Spread	339 bps	-64 bps
3-5 Year Investment Grade	5.10%	CCC and below	6.60%	2-year Treasury	4.26%	-79 bps
5 Year Treasuries	4.41%		10-Year Treasury	3.89%	-69 bps	
Leveraged Loans	2.79%		High Yield Default Rate	2.84%	+73 bps	

The ICE BofA US High Yield Index ended the quarter with a yield-to-worst of 7.69% and an OAS of 339 bps, a decrease of 125 and 64 bps, respectively. The yield on the 2-year Treasury decreased 79 bps to 4.26% while the 10-year Treasury decreased 69 bps to 3.89%. New issue activity increased during the quarter with \$42.1bn of new bonds priced. High Yield Bond new issuance for 2023 totaled \$175.9bn vs \$106.5bn in 2022. The trailing 12-month par-weighted High Yield default rate, including distressed exchanges, increased 73 bps and ended the quarter at 2.84%. High Yield Bond funds had inflows of \$5.3bn during the quarter bringing the 2023 outflow total to \$7.9bn (+\$362mn In ETF).

Performance rankings of asset classes during the quarter were: S&P 500 Index 11.68%, High Yield Bonds 7.06%, 3-5-Year Investment Grade Bonds 5.10%, 5-Year Treasuries 4.41%, and Leveraged Loans 2.79%.

Returns by rating within High Yield Bonds were: double-B rated bonds 7.34%, single-B rated bonds 6.78%, and CCC rated bonds 6.60%.

In the ICE BofA US High Yield Index the sectors with the best total returns were: Banking 9.30%, Retail 8.71%, and Insurance 8.33%. The worst performing sectors were: Transportation 3.81%, Energy 5.13%, and Capital Goods 5.76%.