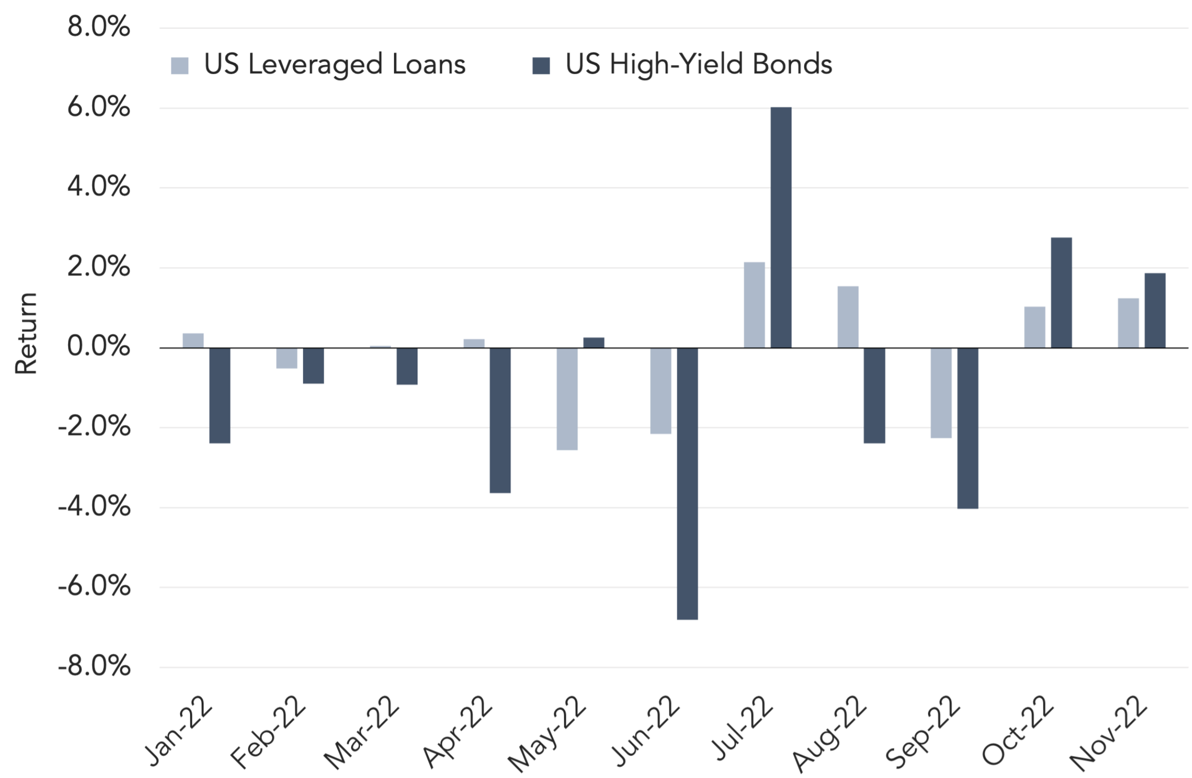
THE LEAD
https://theleadleft.com/leveraged-loan-insight-analysis-12-5-2022/

Returns on US leveraged loans and HY bonds positive for second consecutive month

LSEG | December 8, 2022



Source: Morningstar LSTA LLI, ICE BofA US HY Index

Returns for US leveraged loans and high-yield bonds were positive for a second consecutive month in November, with loan returns higher MoM to 1.24% and high-yield bonds returning 1.87%. Year-to-date returns stand at -9.85% for high-yield bonds, with loans outperforming at -0.9%. Asset performance was driven by a risk-on environment across markets that propelled returns on US equities higher to 5.4% in the month. After a better-than-expected inflation reading last month, investors are betting that inflation has peaked, and alongside news that the FOMC may begin to slow the pace of interest rate hikes starting this month, have driven demand for risk. In high-yield credit, loans and bonds have logged the best performance since the summer. Loans have been propelled by market value gains of 55bp in November (93bp across the last two months) on top of a year-high 69bp of return from interest income, driven by higher base rates. Demand has trickled down to all credit segments. The average bid on loans rated B2/B3 advanced 31bp in November, while the riskiest loans (rated lower than B3) also advanced 62bp in the month. But despite the positive news over the last two months, markets remain volatile with investors focused on next week's inflation reading for November.

(Past performance is no guarantee of future results.)