

EUROPEAN OUTLOOK CONFERENCE
LONDON

European IG & HY 2024 Outlook

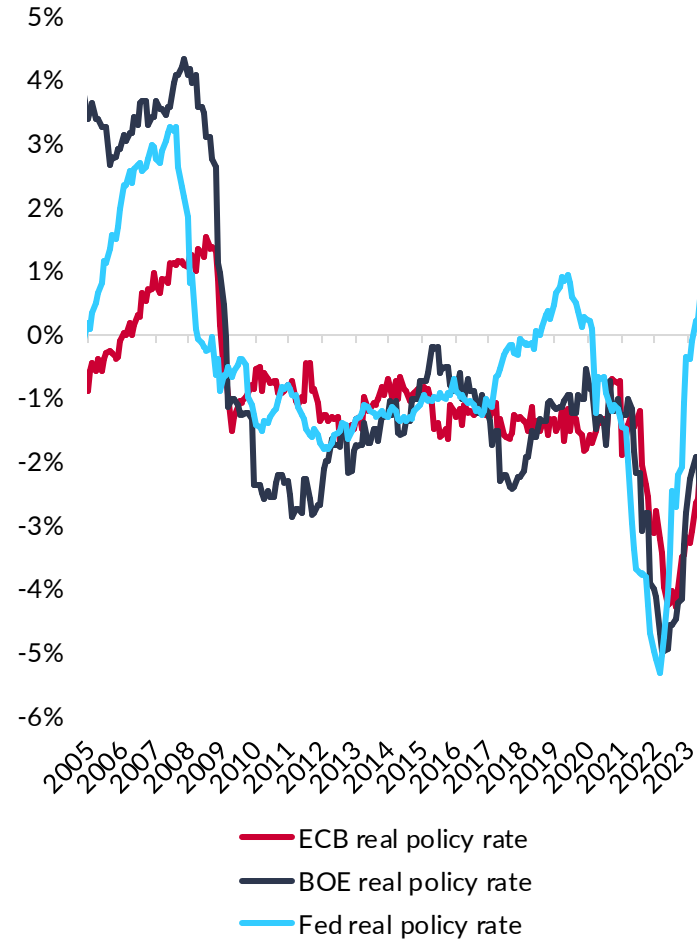
Logan Miller: Head of European Strategy, *CreditSights*

CreditSights
a FitchSolutions Company

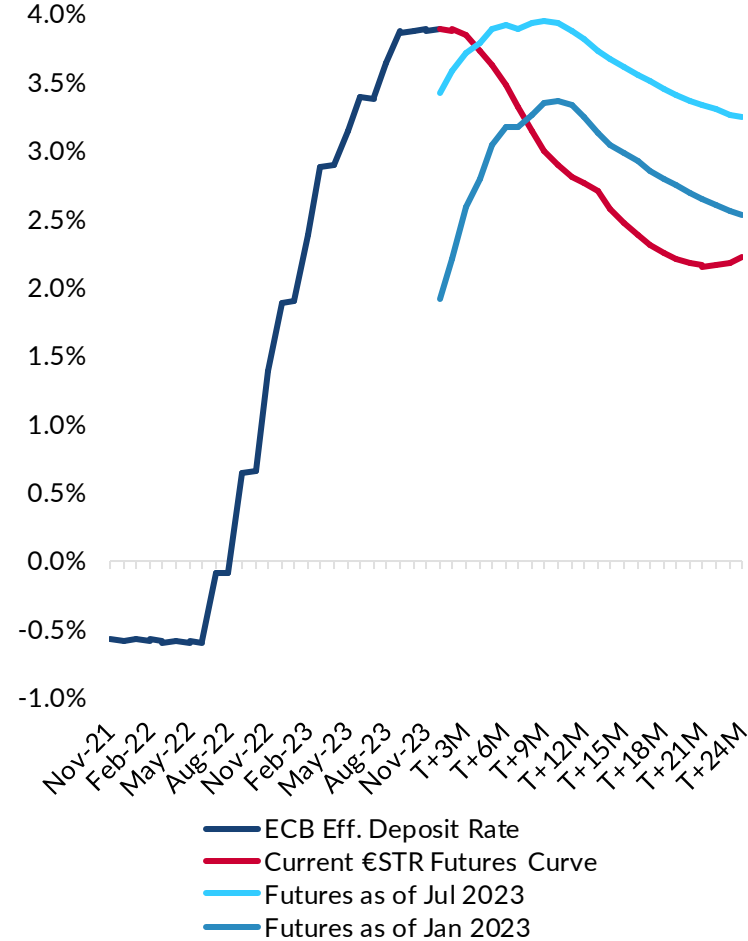
Research
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Central Bank Policies Remain a Top Focus

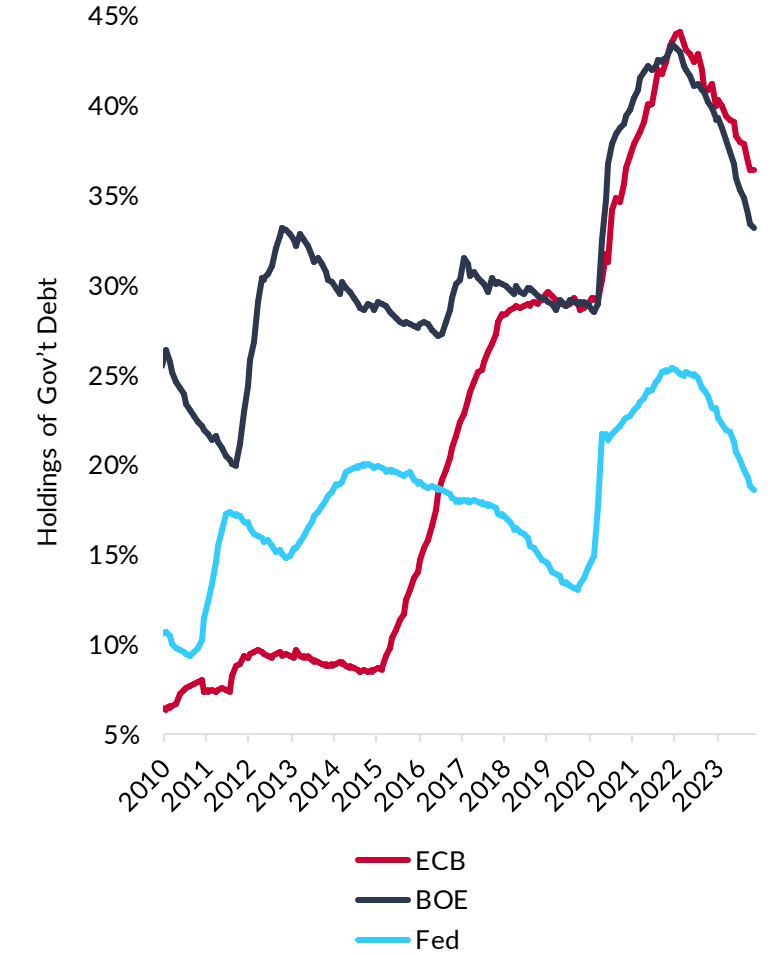
Central Bank Real Policy Rates



ECB Policy Rate Expectations

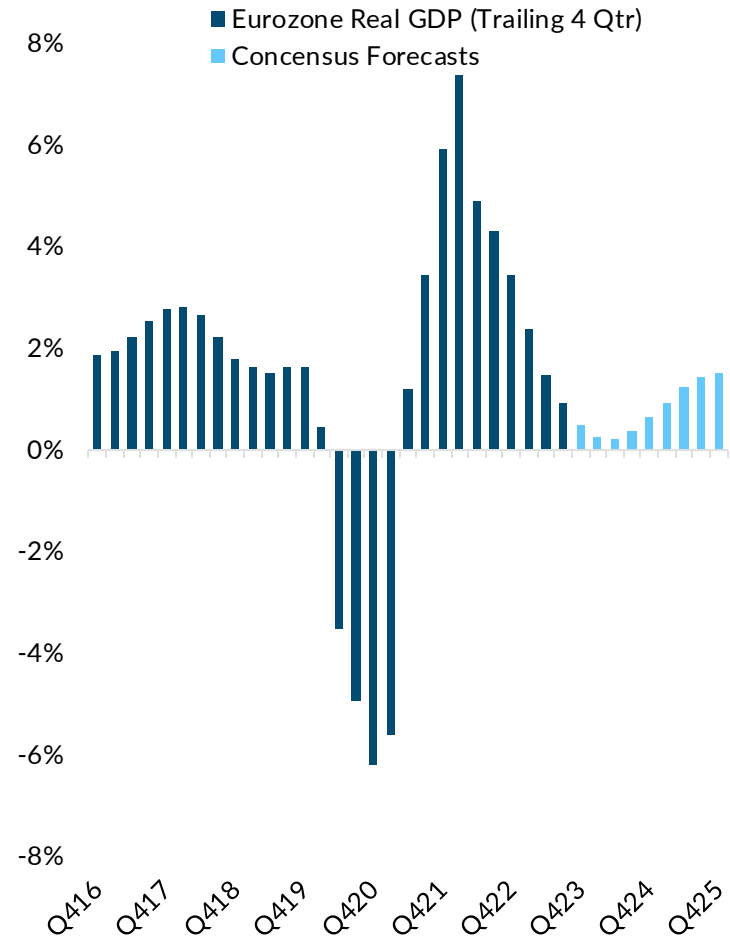


Global Quantitative Tightening

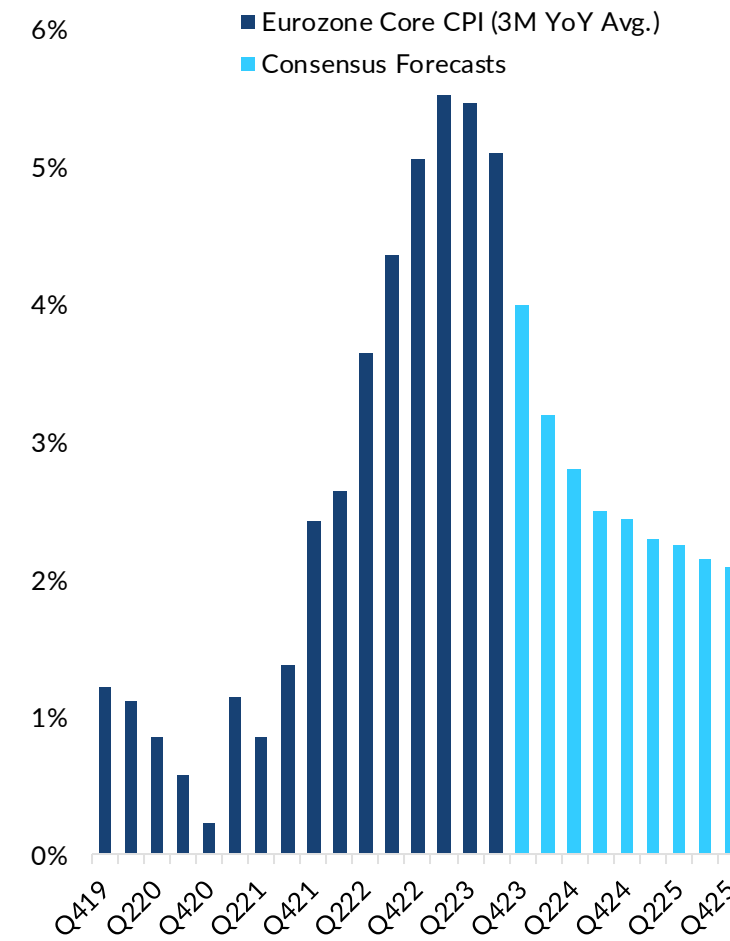


Europe's Softening Economic Outlook

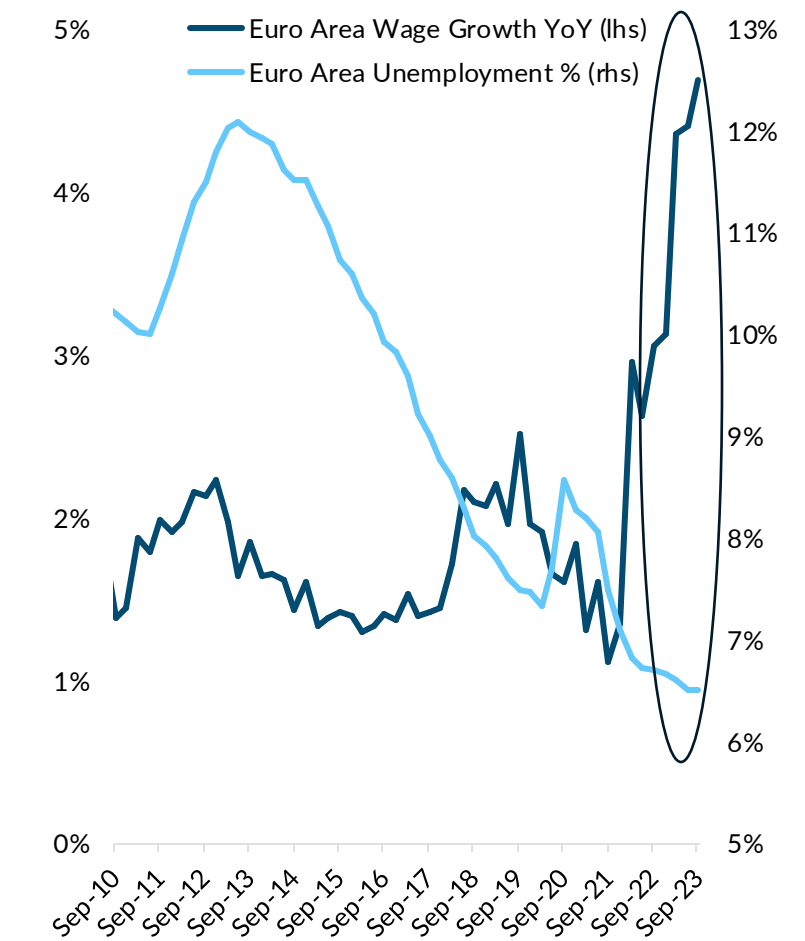
Economic Growth Is Decelerating



Core Inflation Is Still Too High

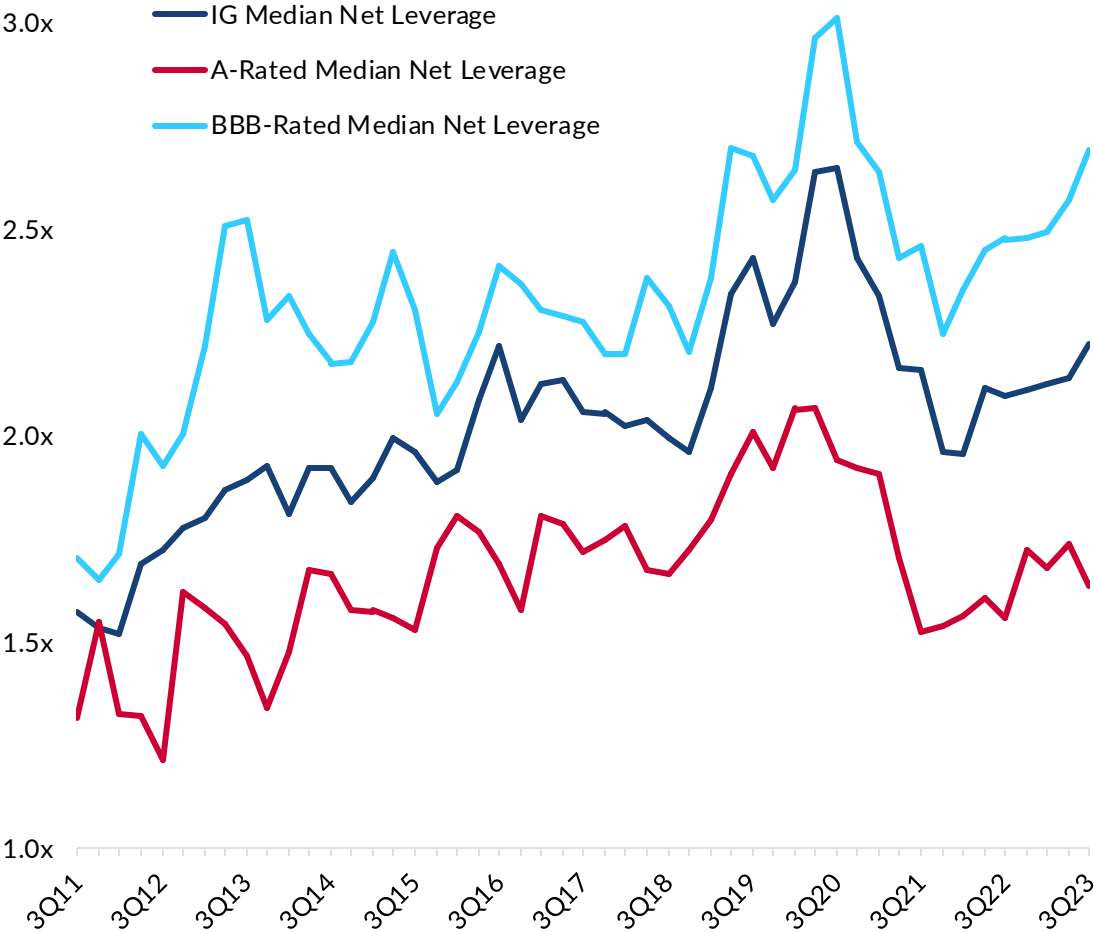


Labor Markets Remain Very Tight

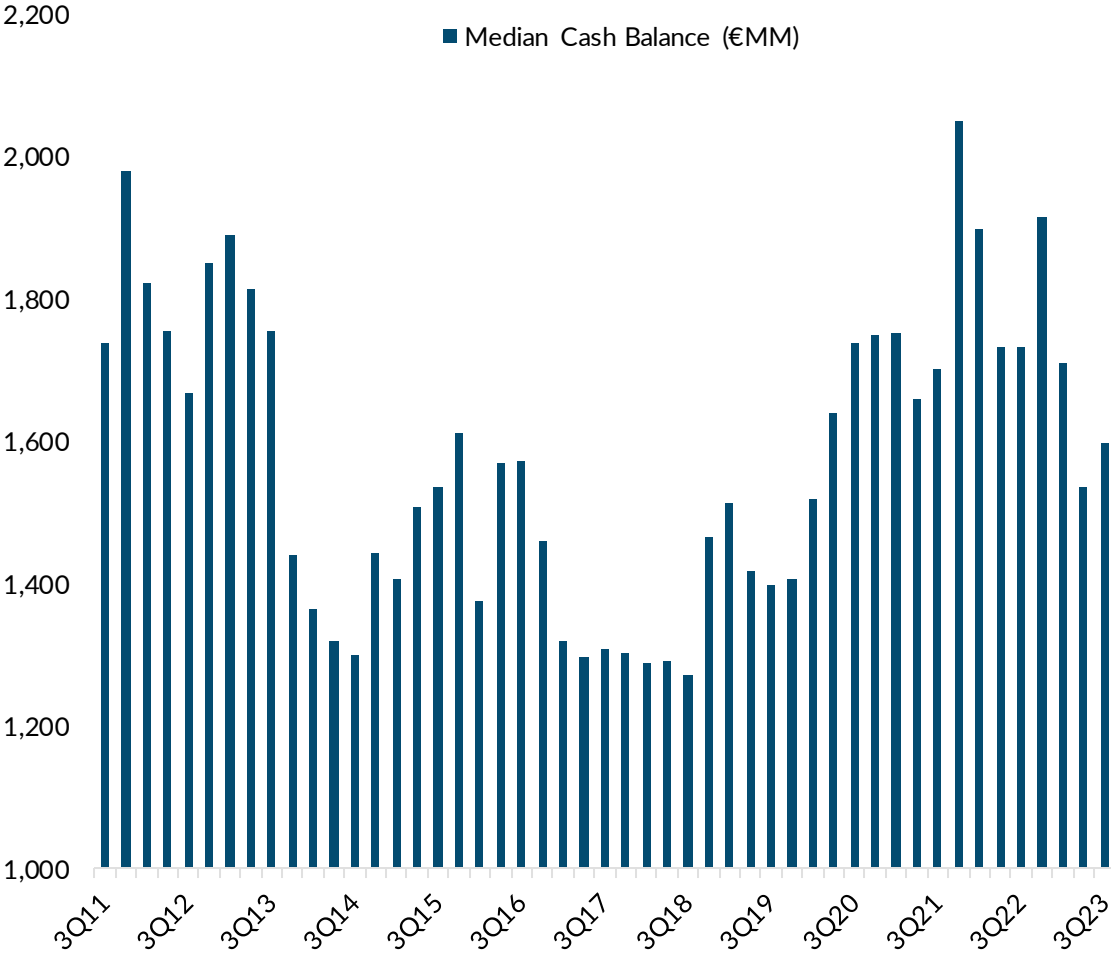


Turning Point for Euro IG Fundamentals

IG Net Leverage by Rating Ticking Higher

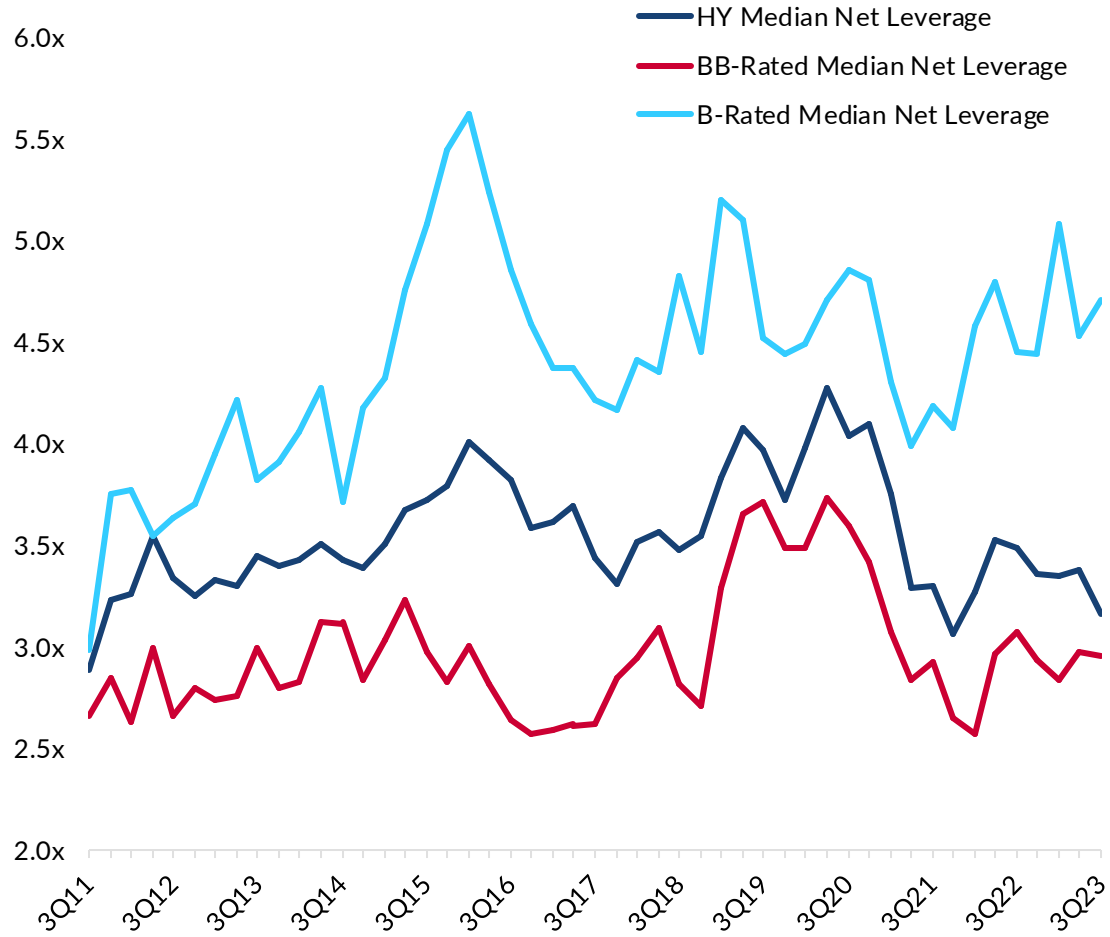


Corporate Cash Balances Remain Supportive

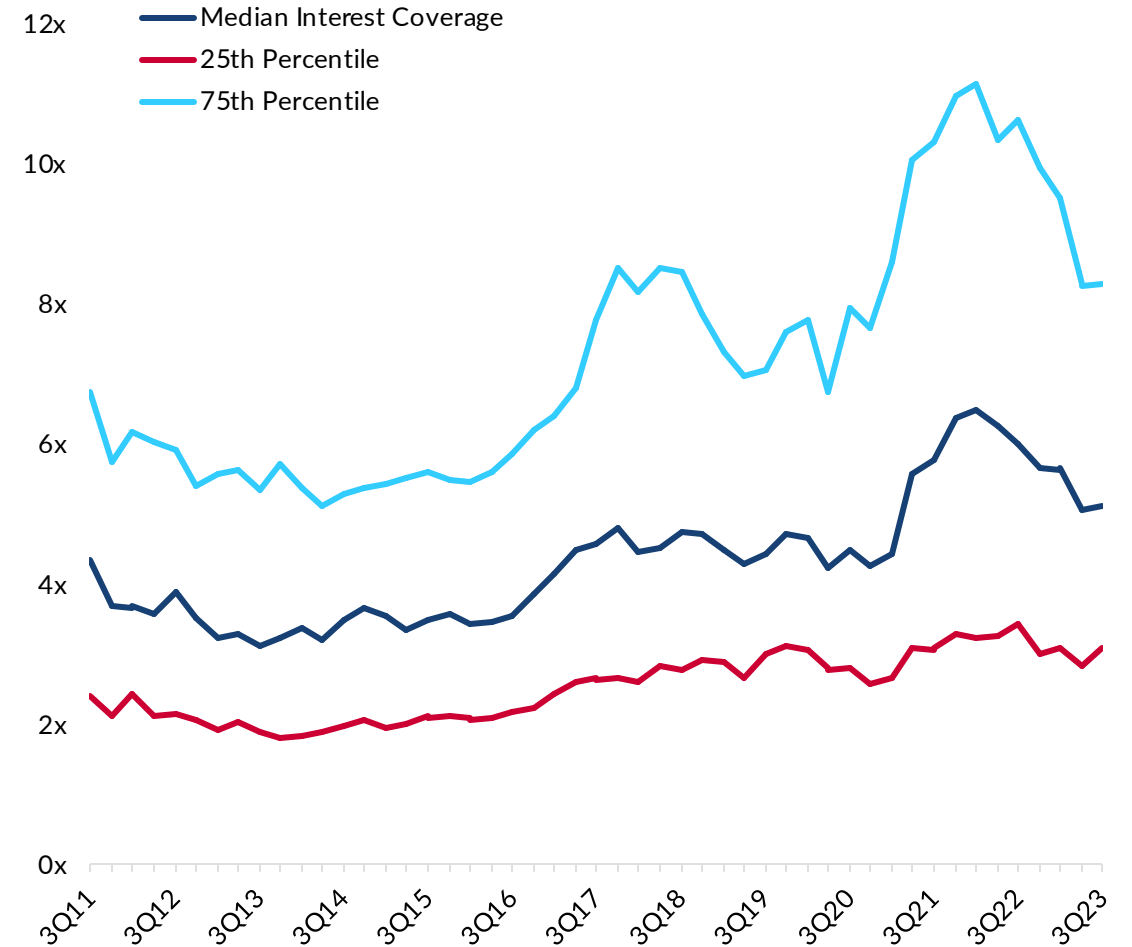


HY Fundamentals Have Become Increasingly Bifurcated

HY Net Leverage by Rating

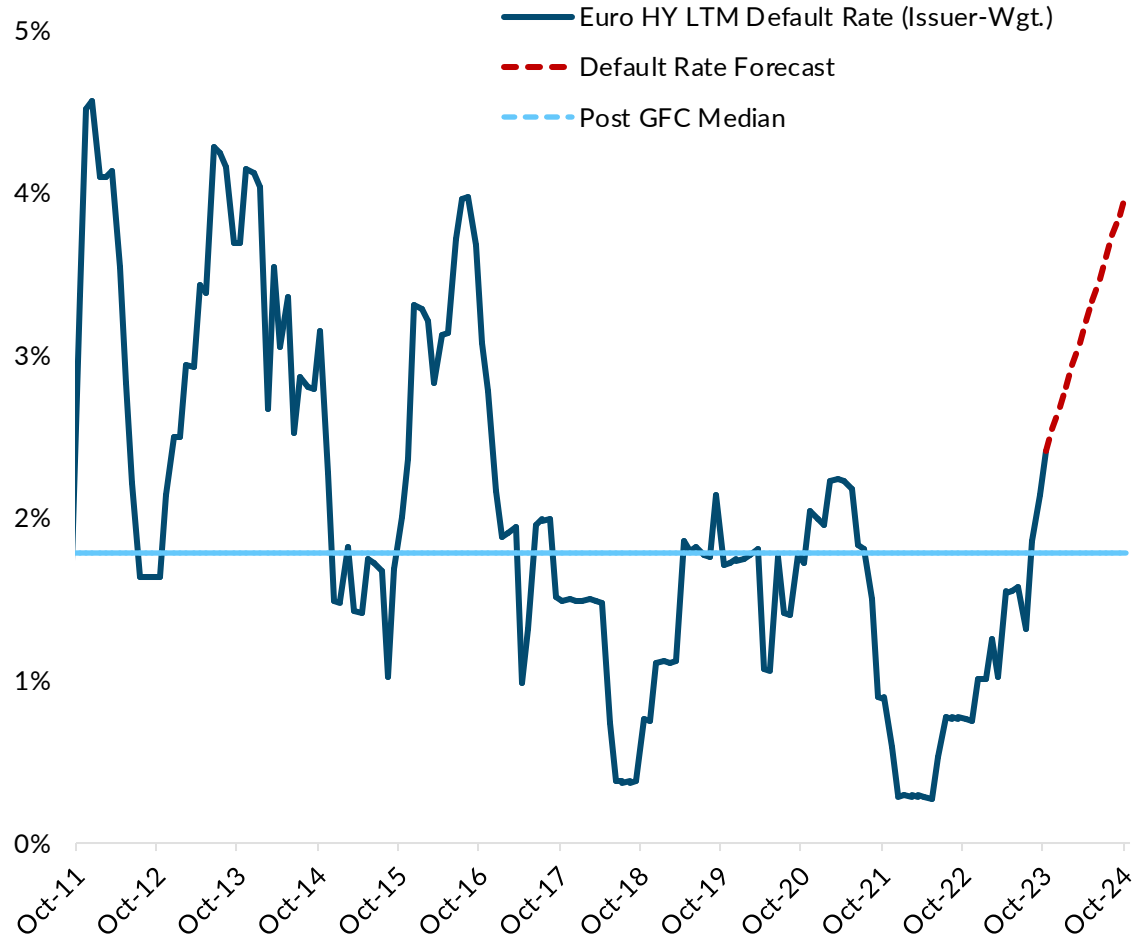


Acute Pressure for Highly Leveraged Issuers

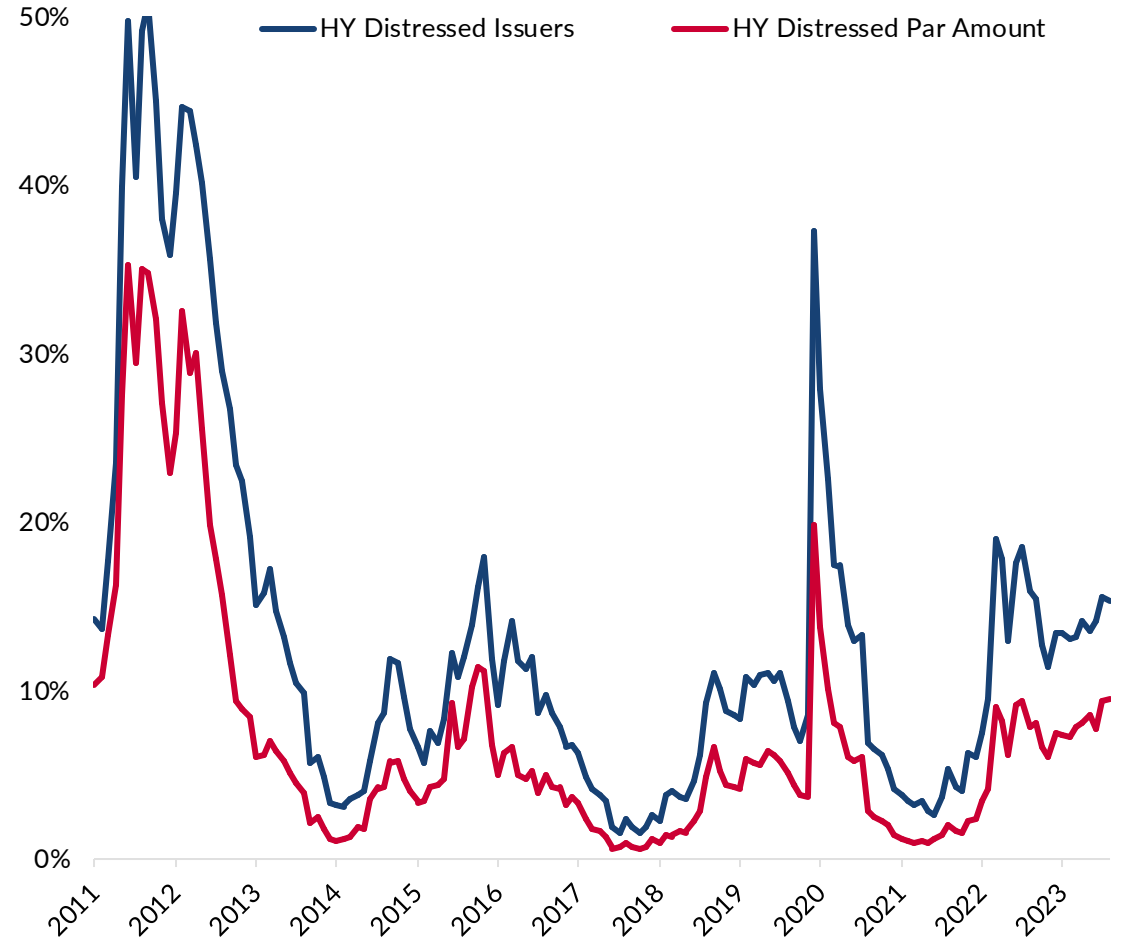


Credit Risk Premiums May Delink From Default Cycle

No More Free Lunch for HY Issuers

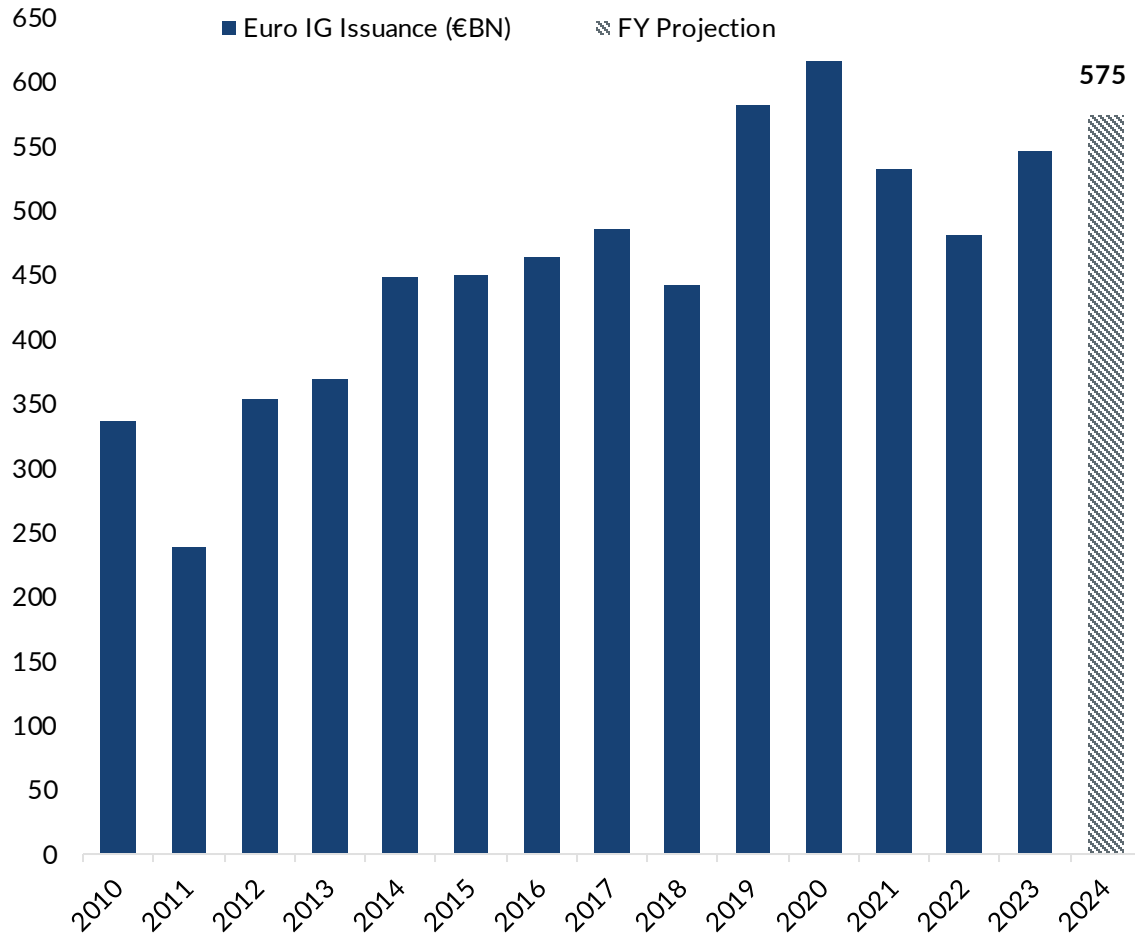


HY Valuations Indicate Higher Defaults

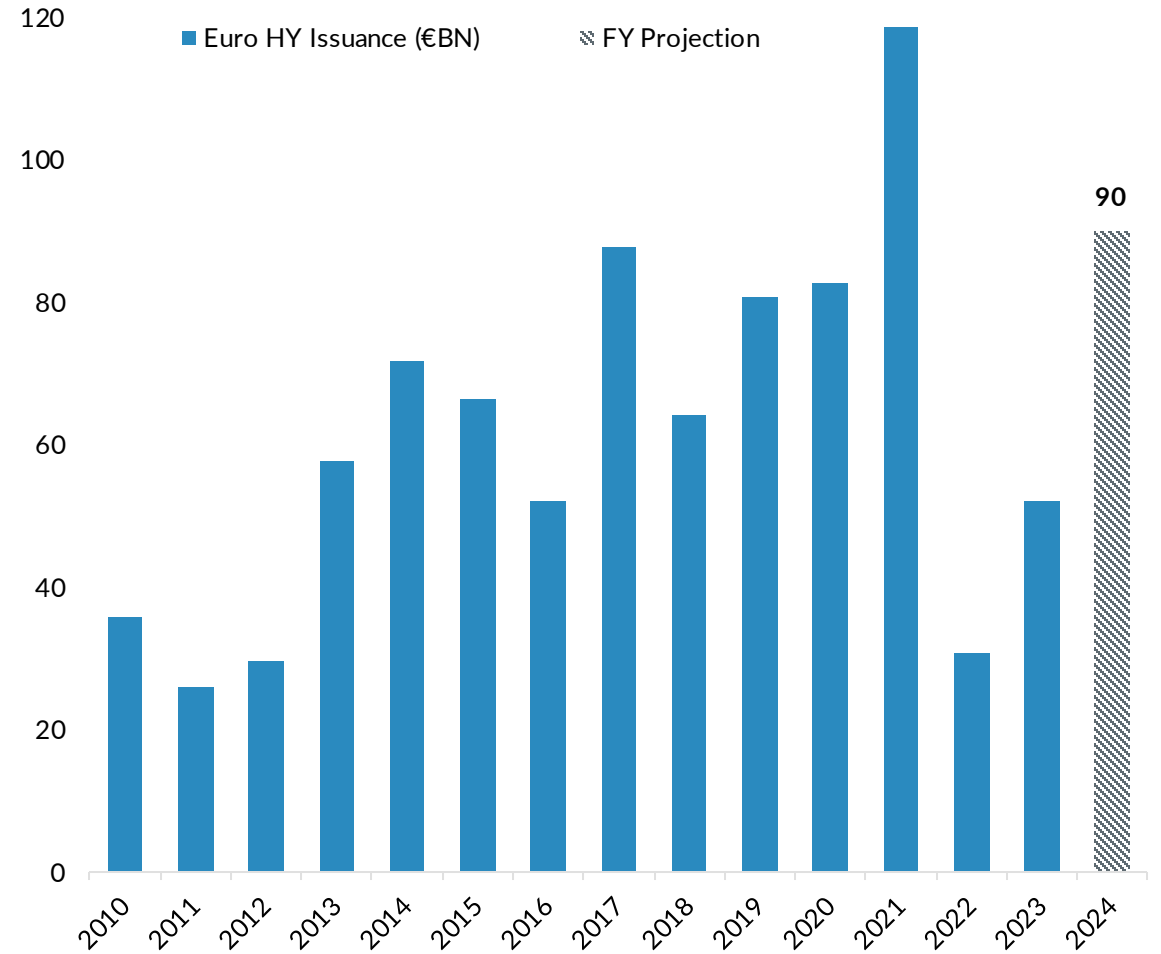


European Primary Market 2024 Expectations

IG: €575BN in 2024 (+5% YoY)

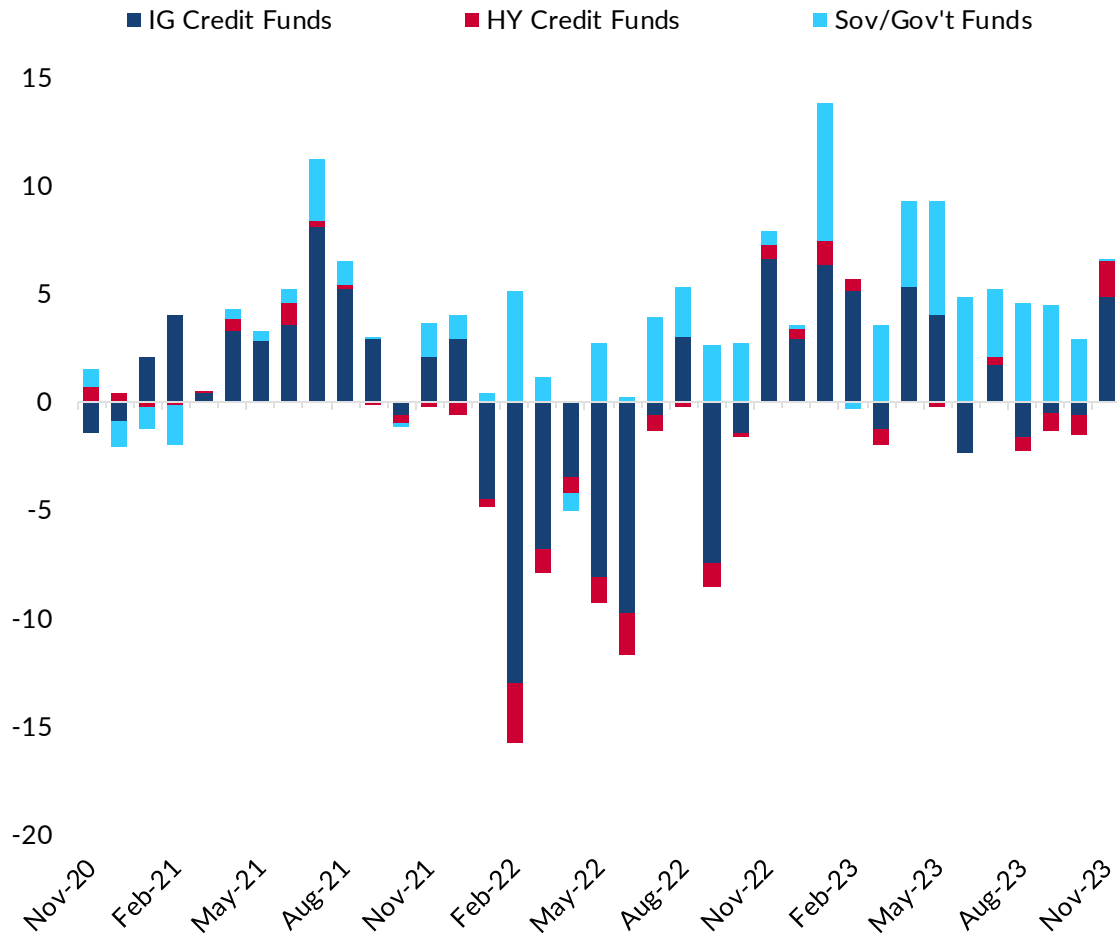


HY: €90BN in 2024 (+75% YoY)

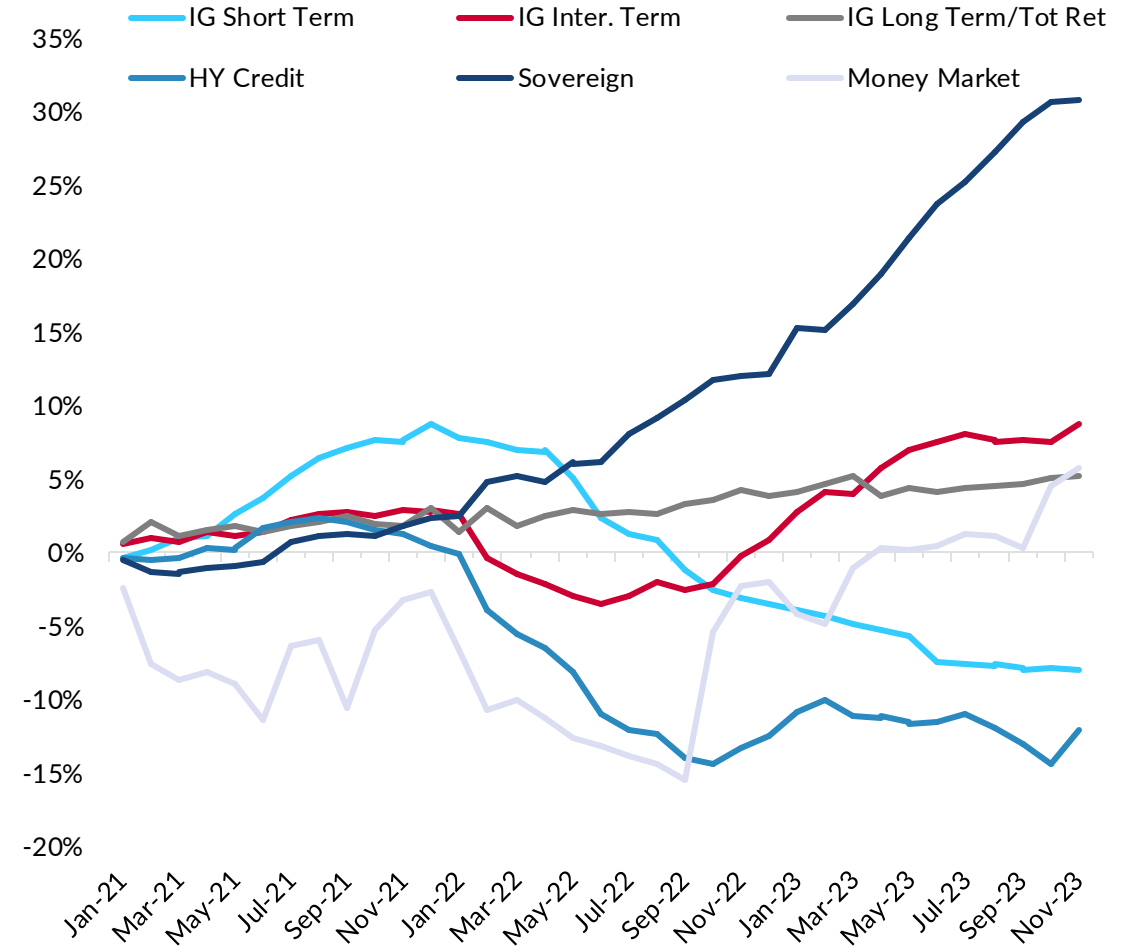


Gauging Demand for Corporate Credit

Credit Fund Flows Starting to Normalize

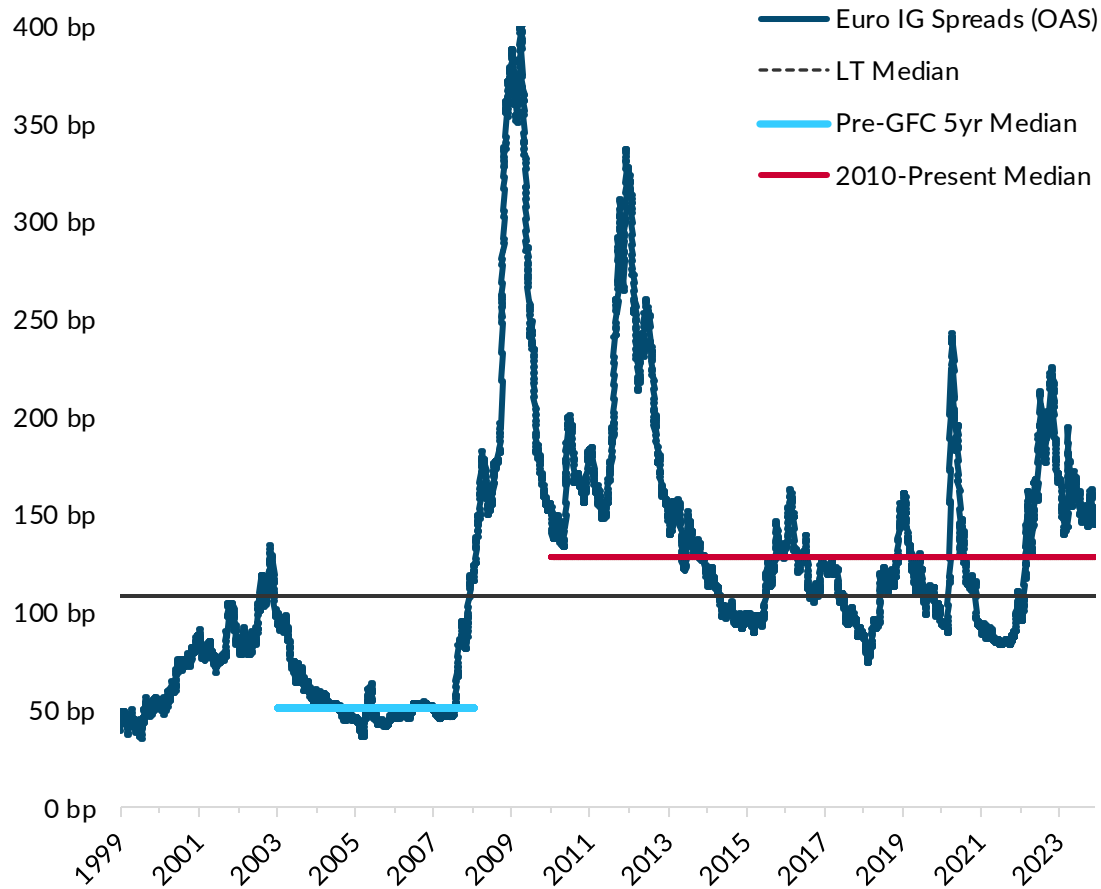


Surprisingly Robust Demand for Gov't Debt



Euro Investment Grade Valuations

IG Spreads Are Compelling on a LT Basis

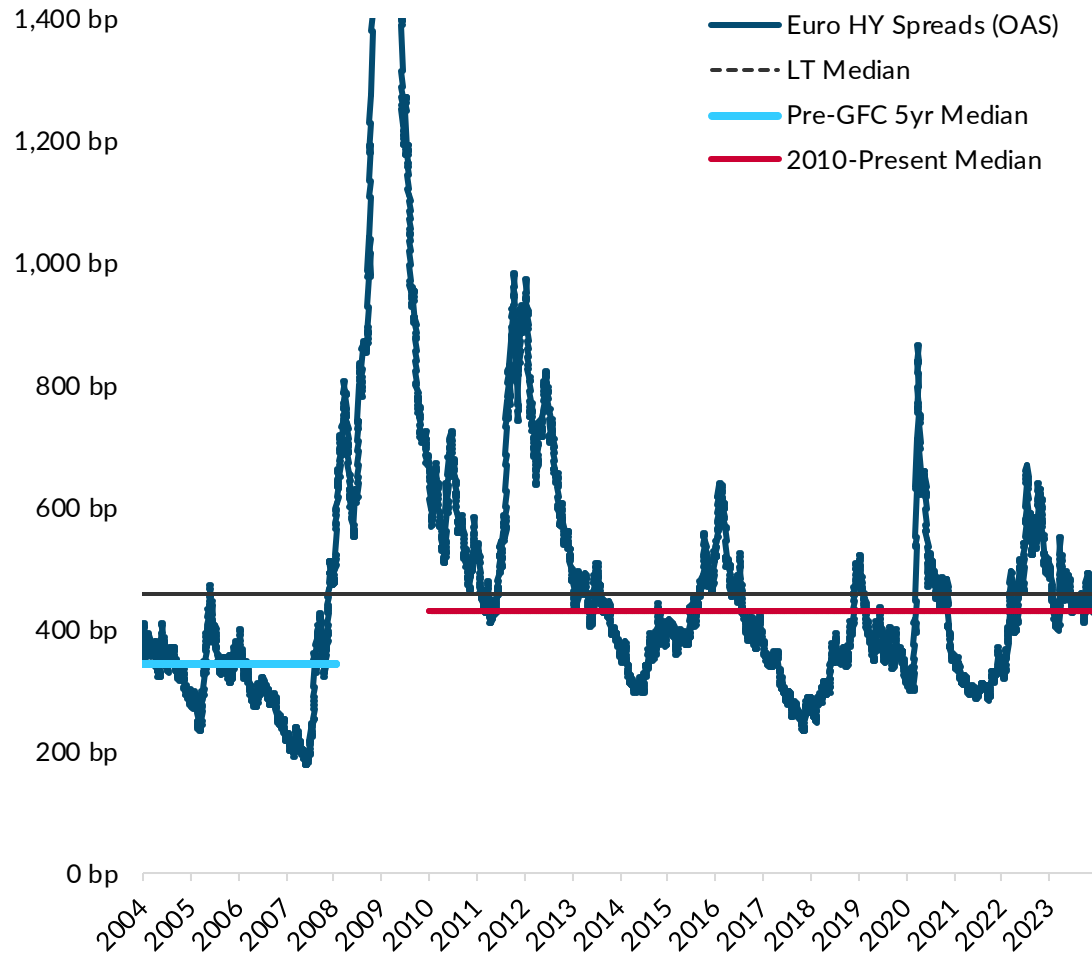


IG Excess Returns vs. Starting Spreads

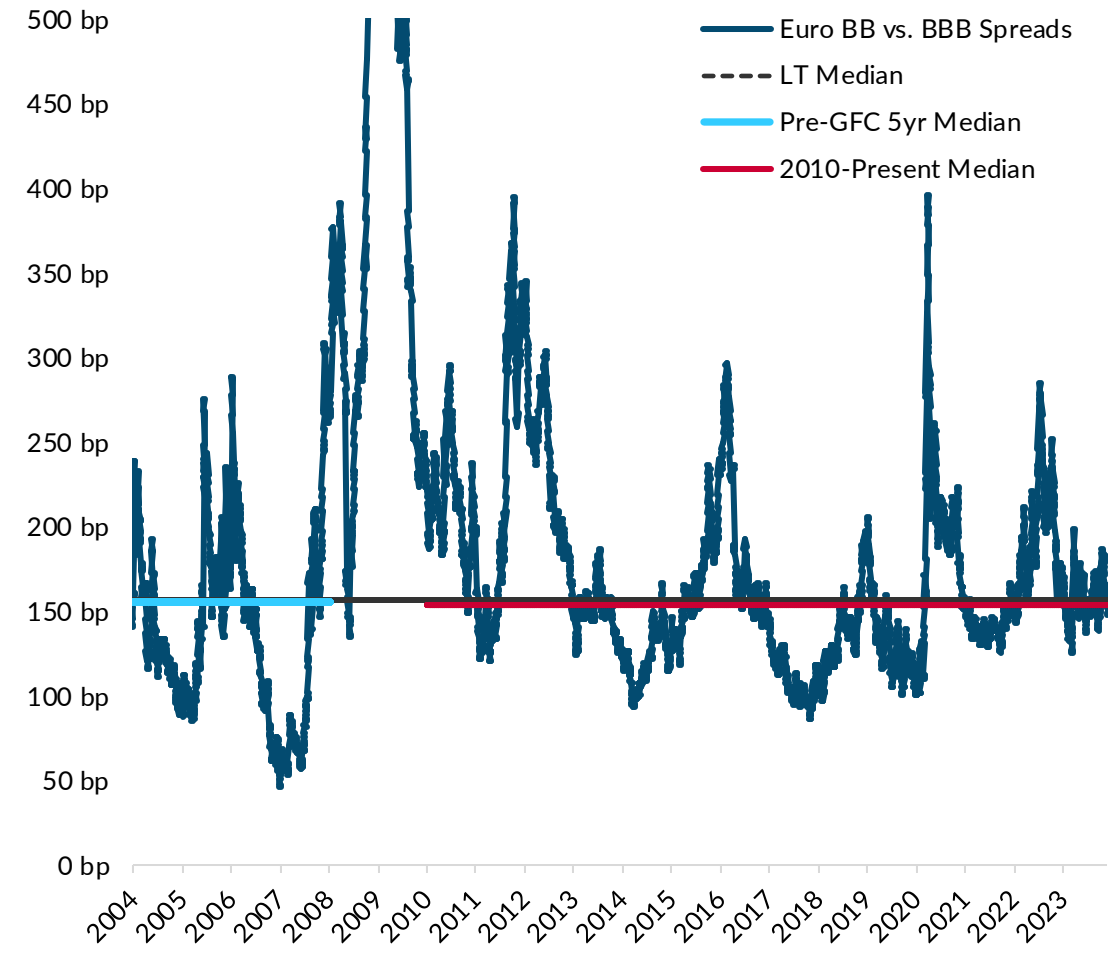


Euro High Yield Valuations

HY Spreads at the Midpoint of LT Averages



Crossover Spreads Appear Fairly Valued



Euro IG & HY Forecasts for 2024

	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	YTD as of 12/4	FY 2024 Forecasts		
					Bull Case	Base Case	Bear Case
Euro Investment Grade							
Spreads (OAS, bp)	93	98	166	143	110	130	170
Yields (YTW, %)	0.2	0.5	4.2	3.9	2.8	3.5	5.0
Excess Return (bp)	+158	+73	-155	+314	+275	+200	+50
Total Return (%)	+2.6	-1.0	-13.9	+5.9	+8.0	+5.5	+0.0
Gross Issuance (€BN)	617	532	481	546	600	575	450
Euro High Yield							
Spreads (OAS, bp)	355	331	494	431	350	425	575
Yields (YTW, %)	2.9	2.9	7.6	6.9	5.5	6.6	9.5
Total Return (%)	+2.8	+3.3	-11.5	+9.3	+10.5	+7.0	+1.0
Default Rate (LTM % Issuers)	2.0	0.3	1.0	1.9	3.0	4.5	6.5
Gross Issuance (€BN)	83	119	31	52	105	90	50
Policy Rate/Bund Yields							
ECB Deposit Facility (%)	-0.50	-0.50	2.00	4.00	2.75	3.25	4.50
Bund 2-Year Yield (%)	-0.72	-0.64	2.74	2.68	1.70	2.25	3.50
Bund 10-Year Yield (%)	-0.57	-0.18	2.57	2.35	1.95	2.20	2.90

CreditSights Global Corporate Credit Relative Value

CreditSights Global Strategy Coverage & Recommendations

Asset Class	OAS	YTW	Duration	Market Value (\$B)	YTD Total Return	CreditSights Rec.	CreditSights Analyst	Near-Term Risk View	Spread Outlook (12-Month)
Investment Grade									
US Investment Grade	110 bp	5.60%	6.7 yrs	\$7,954	4.8%	Overweight	Griffiths	On	Tighter
Euro Investment Grade ¹	143 bp	3.91%	4.5 yrs	\$3,077	5.9%	Overweight	Miller	On	Tighter
US Investment Grade Tax Exempt Munis ²	21 bp	3.71%	6.8 yrs	\$1,125	4.2%	Underweight	Luby	On	Tighter
Asia Investment Grade (\$-Denominated)	108 bp	5.59%	5.0 yrs	\$711	4.7%	Market Weight	Shenoi	On	Tighter
EM Investment Grade Sovereign (\$-Denominated)	112 bp	5.56%	8.2 yrs	\$532	2.8%	Market Weight	Chatellier	Neutral	Sideways
US Investment Grade Taxable Munis	90 bp	5.40%	9.0 yrs	\$177	3.9%	Market Weight	Luby	On	Tighter
Leveraged Finance									
US Broadly Syndicated Leveraged Loans ³	559 bp	9.71%		\$1,384	11.4%	Market Weight	Cisar	Neutral	Sideways
US High Yield	380 bp	8.39%	3.5 yrs	\$1,194	9.9%	Overweight	Cisar	On	Tighter
Euro High Yield ¹	431 bp	6.92%	2.9 yrs	\$399	9.4%	Market Weight	Miller	Off	Tighter
EM High Yield Sovereign (\$-Denominated)	614 bp	10.48%	5.5 yrs	\$346	10.3%	Overweight	Chatellier	Neutral	Tighter
US High Yield Munis	184 bp	5.66%	7.0 yrs	\$42	3.7%	Underweight	Luby	Off	Sideways

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Emerging Markets Sovereign 2024 Outlook

Regis Chatellier: Head of EM Sovereign Strategy, *CreditSights*

Logan Miller: Head of European Strategy, *CreditSights*

CreditSights

a FitchSolutions Company

Research

CovenantReview

LevFinInsights

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